

HANTAM

MUNICIPALITY



FINANCIAL STATEMENTS

30 JUNE 2018

HANTAM MUNICIPALITY

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HANTAM MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

GENERAL INFORMATION

NATURE OF BUSINESS

Hantam Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Hantam Municipality includes the areas of Calvinia, Brandvlei, Loeriesfontein and Nieuwoudtville.

MAYOR

RN Swartz

MUNICIPAL MANAGER

JI Swartz

CHIEF FINANCIAL OFFICER

W Jonker

REGISTERED OFFICE

Private Bag X14
Calvinia
8190

AUDITORS

The Auditor-General
Private Bag X5013
Kimberley
8300

PRINCIPLE BANKERS

Standard Bank

HANTAM MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

GENERAL INFORMATION

ATTORNEYS

Louw & Muller
Groenewaldt & Symington

RELEVANT LEGISLATION

Basic Conditions of Employment Act (Act no 75 of 1997)
Collective Agreements
Division of Revenue Act
Electricity Act (Act no 41 of 1987)
Employment Equity Act (Act no 55 of 1998)
Housing Act (Act no 107 of 1997)
Infrastructure Grants
Municipal Budget and Reporting Regulations
Municipal Finance Management Act (Act no 56 of 2003)
Municipal Planning and Performance Management Regulations
Municipal Property Rates Act (Act no 6 of 2004)
Municipal Regulations on Standard Chart of Accounts
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Systems Amendment Act (Act no 7 of 2011)
SALBC Leave Regulations
Skills Development Levies Act (Act no 9 of 1999)
Supply Chain Management Regulations, 2005
The Income Tax Act
Unemployment Insurance Act (Act no 30 of 1966)
Value Added Tax Act
Water Services Act (Act no 108 of 1997)

MEMBERS OF THE HANTAM MUNICIPALITY

WARD

1
2
3
4
5
Proportional
Proportional
Proportional
Proportional

COUNCILLOR

H De Wee
K Alexander
FJ Sterkse
JE Steenkamp
G Opperman
RN Swartz
AJE Claasen
G Gous
HC Steenkamp

HANTAM MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2018, which are set out on pages 5 to 97 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2019 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements were prepared on the going concern basis.



JI Swartz
Municipal Manager

31/08/2018

Date

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

1. REVIEW OF OPERATING RESULTS

The overall operating results for the year ended 30 June 2018 as well as the comparison with the budgeted figures and the actual results of 2017 are reflected in the following table.

DESCRIPTION	ACTUAL 2018	BUDGET 2018	VARIANCE	VARIANCE ACTUAL AS % OF BUDGET	ACTUAL 2017
INCOME					
Operating Income	167 950 088	184 343 024	-16 392 936	-8.89%	110 604 464
EXPENDITURE					
Operating Expenditure	101 302 945	88 790 457	-12 512 488	14.09%	92 355 500
Closing Surplus	66 647 142	95 552 567	-28 905 425	-30.25%	18 248 964

Details of operating results per department and classification of income and expenditure is included in Appendix C.

2. OPERATING EXPENDITURE 2017/2018

EXPENDITURE	ACTUAL 2018	BUDGET 2018	VARIANCE	VARIANCE ACTUAL AS % OF BUDGET	ACTUAL 2017
Employee related costs	38 846 980	38 030 512	-816 468	2.15%	-35 961 595
Remuneration of Councillors	3 031 625	3 030 621	-1 005	0.03%	-2 720 101
Bad Debts Written Off	-	-	-	#DIV/0!	-694 390
Debt Impairment	-2 616 702	3 179 405	5 796 107	-182.30%	-9 103 536
Depreciation and Amortisation	8 997 064	5 420 680	-3 576 384	65.98%	-18 044 944
Actuarial Losses	-	-	0	#DIV/0!	-115 210
Finance Costs	2 786 675	3 206 504	419 829	-13.09%	-2 845 603
Bulk purchases	20 464 378	22 561 915	2 097 537	-9.30%	-16 936 100
Inventory consumed	1 773 259	1 440 840	-332 419	23.07%	-982 059
Transfers and Grants	4 381	273 204	268 823	-98.40%	246 712
Operational Costs	18 403 301	9 790 436	-8 612 865	87.97%	-9 983 302
Operating Leases	-	-	-	0.00%	-420 567
Total Expenditure	91 690 961	86 934 117	-4 756 844	5.47%	-97 560 696

See Note 43 for explanation of differences.

3. OPERATING INCOME 2017/2018

INCOME	ACTUAL 2018	BUDGET 2018	VARIANCE	VARIANCE ACTUAL AS % OF BUDGET	ACTUAL 2017
Property rates	7 651 504	7 628 043	23 461	0.31%	6 889 059
Service charges	39 390 149	48 025 789	-8 635 640	-17.98%	37 218 975
Rental of Facilities and Equipment	361 254	172 700	188 554	109.18%	160 948
Interest Earned - External Investments	712 526	435 360	277 166	63.66%	504 826
Interest Earned - Outstanding Debtors	1 550 594	1 380 490	170 104	12.32%	1 489 320
Actuarial Gains	-	-	-	0.00%	2 629 143
Fines	25 256	43 000	-17 744	-41.27%	74 047
Licences and Permits	97	768 520	-768 424	-99.99%	901
Agency Services	1 343 621	-	1 343 621	0.00%	1 280 644
Transfers Recognised - Operational	25 428 000	25 428 000	-	0.00%	25 350 014
Transfers Recognised - Capital	32 947 852	31 192 000	1 755 852	5.63%	17 174 534
Other Revenue	1 057 594	6 411 755	-5 354 161	-83.51%	548 401
Inventories: (Write-down)/Reversal of Write-down	-	-	-	0.00%	146
(Impairment Loss)/Reversal of Impairment	-	-	-	0.00%	-5 942 633
Total Income	110 468 447	121 485 657	-11 017 210	-9.07%	87 378 326

3.1. Operating and capital Grants

The following operating and Capital grants were received during the year:

Equitable Share	21 047 000
Financial Management Grant	1 900 000
Municipal Infrastructure Grant	16 716 000
Library Development	1 237 000
Expanded Public Works Programme	1 000 000
Regional Bulk Infrastructure Grant	65 426 000
Integrated National Electrification Grant	1 000 000
Municipal Water Infrastructure Grant	4 000 000
Municipal Disaster Grant	8 500 000
	120 826 000

4. MUNICIPAL EXTERNAL DEBT

At the end of the year the amount borrowed and outstanding were as follows:

TYPE	BALANCE 2017/06/30	RECEIVED	REDEEMED	BALANCE 2018/06/30
Lease Liability	505 438	-	-154 665	350 773
Total	505 438	-	-154 665	350 773

5. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	GROSS BALANCES R	PROVISION IMPAIRMENT R	NETT BALANCES R
As at 30 June 2018			
Electricity	5 026 452	4 521 290	505 162
Water	9 888 432	8 894 638	993 794
Waste Management	7 513 681	6 758 551	755 130
Waste Water Management	4 824 114	4 339 288	484 827
Other Arrears	6 553 388	5 894 768	658 620
Total Receivables from Exchange Transactions	33 806 069	30 408 535	3 397 534
As at 30 June 2017			
Electricity	5 728 693	4 903 830	824 863
Water	13 574 476	11 619 915	1 954 561
Refuse	9 908 056	8 481 415	1 426 641
Sewerage	7 038 803	6 025 300	1 013 503
Other Arrears	3 480 291	2 979 171	501 120
	39 730 319	34 009 632	5 720 687
Recognition of Revenue - Water	182 718		182 718
Recognition of Revenue - Electricity	1 102 847		1 102 847
Recognition of Revenue - Sanitation	-		-
	41 015 884	34 009 632	7 006 252
LESS: Long-Term Receivables	-160 768		-160 768
Total: Receivables from Exchange Transactions	40 855 116	34 009 632	6 845 484
PLUS: VAT Outstanding	4 492 783		4 492 783
Total Receivables from Exchange Transactions	45 347 899	34 009 632	11 338 267

6. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2018	2017
Other Receivables		
Rates	10 637 188	10 053 256
Miscellaneous	267 867	2 312 141
Total receivables from non-exchange transactions	10 905 055	12 365 397

Ageing of Receivables from Non- Exchange Transactions

Rates: Ageing

Current (0 - 30 days)	748 677	513 723
31 - 60 days	213 917	218 534
61 - 90 days	194 393	176 531
91 days and longer	9 480 201	9 144 468
	10 637 188	10 053 256

Summary of Receivables by Customer Classification

2018	Commercial	Residential	Government	Total
Current (0 - 30 days)	935 865	2 742 920	528 138	4 206 923
31 - 60 days	72 850	902 125	158 456	1 133 431
61 - 90 days	51 056	891 183	158 224	1 100 463
91 days and longer	1 574 565	34 873 594	1 554 281	38 002 440
	2 634 336	39 409 822	2 399 099	44 443 257
LESS: Provision for doubtful debts	-1 317 168	-37 012 212	-1 199 550	-39 528 930
Total recoverable debtors by customer classification	1 317 168	2 397 610	1 199 550	4 914 327

2017

Current (0 - 30 days)	1 046 392	3 344 580	698 751	5 089 723
31 - 60 days	96 219	1 042 584	121 169	1 259 972
61 - 90 days	52 744	953 922	122 429	1 129 095
91 days and longer	1 901 159	39 150 847	1 252 779	42 304 785
	3 096 514	44 491 933	2 195 128	49 783 575
LESS: Provision for doubtful debts	-1 566 282	-39 956 592	-1 092 467	-42 615 340
Total recoverable debtors by customer classification	1 530 232	4 535 341	1 102 661	7 168 235

7. NON-CURRENT PROVISIONS

	2018	2017
Provision for Post-Retirement Benefits	14 791 118	11 726 259
Provision for Long Service Awards	1 734 058	1 677 354
Provision for Rehabilitation Landfill Sites	30 322 537	27 361 781
	46 847 713	40 765 394

8. CURRENT LIABILITIES

Consumer Deposits	771 431	704 982
Current Employee Benefits	3 779 810	3 627 769
Trade and Other Payables from exchange transactions	34 099 082	17 664 837
Unspent Transfers and Subsidies	35 937	1 477 934
Taxes	-	383 825
Current Portion of Long-term Borrowings	154 666	78 388
	38 840 925	23 937 735

9. CURRENT ASSETS

Inventory	54 752	67 319
Receivables from exchange transactions	5 720 687	4 711 584
Receivables from non-exchange transactions	3 758 199	2 862 650
Unpaid Transfers and Subsidies	428	-
Taxes	1 581 783	-
Current Portion of Long-term Receivables	132 101	102 761
Cash and Cash Equivalents	785 850	538 697
	12 033 800	8 283 010

10. LONG-TERM RECEIVABLES

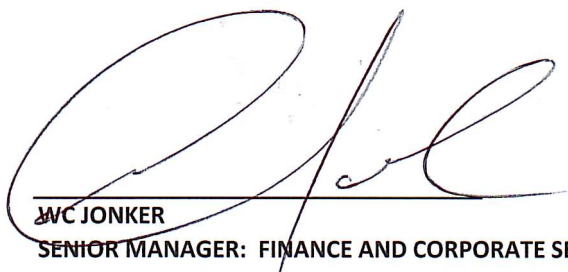
Agreements for longer than 12 months by consumers to settle
outstanding debt

319 587

161 450

11. EXPRESSION OF APPRECIATION

I am grateful to the Municipal Manager and Head of Departments for the support during the financial year. I am also thankful for all staff in the finance department for the effort they put in and for their dedication.

A large, stylized handwritten signature in black ink, appearing to read 'WJC Jonker', is written over a horizontal line.

WJC JONKER

SENIOR MANAGER: FINANCE AND CORPORATE SERVICES

HANTAM MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

	Notes	2018 R	2017 R
ASSETS			
Non-Current Assets		318 460 725	232 072 329
Property, Plant and Equipment	2	279 537 818	193 086 152
Agricultural	3	67 500	67 500
Investment Property	4	36 670 418	36 670 418
Intangible Assets	5	725 218	725 218
Heritage Assets	6	1 335 555	1 335 555
Non-Current Receivables from Exchange Transactions	7	102 990	160 768
Non-Current Receivables from Non-Exchange Transactions	8	21 227	26 718
Current Assets		19 103 770	12 034 862
Inventory	9	72 112	54 752
Receivables from Exchange Transactions	10	3 397 534	5 720 687
Receivables from Non-exchange Transactions	11	1 784 660	3 759 689
Unpaid Transfers and Subsidies	18	-	-
Taxes	20	6 347 260	1 581 783
Current Portion of Non-Current Receivables	7 & 8	101 402	132 101
Cash and Cash Equivalents	12.1	7 400 803	785 850
Total Assets		337 564 496	244 107 191
NET ASSETS AND LIABILITIES			
Non-Current Liabilities		47 012 153	41 116 166
Long-term Borrowings	13	164 440	350 772
Non-current Provisions	14	30 322 537	27 361 781
Non-current Employee Benefits	15	16 525 176	13 403 613
Current Liabilities		64 722 713	43 808 538
Consumer Deposits	16	911 979	833 384
Current Employee Benefits	17	4 228 284	3 779 810
Trade and Other Payables from Exchange Transactions	18	53 735 153	39 014 678
Unspent Transfers and Subsidies	19	5 660 964	26 000
Current Portion of Long-term Borrowings	13	186 333	154 666
Total Liabilities		111 734 866	84 924 704
Net Assets		225 829 629	159 182 487
Revaluation Reserve	21	2 628 176	2 628 176
Accumulated Surplus/(Deficit)		223 201 453	156 554 311
Total Net Assets and Liabilities		337 564 496	244 107 191

HANTAM MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 R	2017 R
REVENUE			
Revenue from Non-exchange Transactions		124 669 172	66 379 359
Taxation Revenue		8 387 927	7 651 504
Property Rates	22	8 387 927	7 651 504
Transfer Revenue		115 165 037	58 375 031
Government Grants and Subsidies	23	115 165 037	58 375 031
Other Revenue		1 116 209	352 824
Actuarial Gains	17	1 066 259	327 568
Fines, Penalties and Forfeits		49 950	25 256
Revenue from Exchange Transactions		44 347 174	44 117 645
Service Charges	24	38 849 642	39 526 166
Sales of Goods and Rendering of Services	25	178 407	330 000
Rental from Fixed Assets	26	349 873	361 254
Interest Earned - External Investments	27	1 072 322	712 526
Interest Earned - Exchange Transactions	28	1 135 683	1 550 594
Licences and Permits		657	97
Agency Services		925 592	1 343 621
Operational Revenue	29	1 834 998	293 388
Total Revenue		169 016 346	110 497 005
EXPENDITURE			
Employee related costs	30	(39 913 238)	(35 961 595)
Remuneration of Councillors	31	(3 031 625)	(2 720 101)
Bad Debts Written Off		(10 873 970)	(694 390)
Contracted Services	32	(11 399 850)	(9 103 536)
Depreciation and Amortisation	33	(8 997 064)	(18 044 944)
Actuarial Losses	17	-	(115 210)
Finance Costs	34	(2 786 675)	(2 845 603)
Bulk Purchases	35	(20 464 378)	(16 936 100)
Inventory Consumed	9	(1 773 259)	(982 059)
Operating Leases		(201 014)	(433 836)
Transfers and Subsidies	36	(4 381)	(246 712)
Operational Costs	37	(7 264 223)	(9 983 302)
Total Expenditure		(106 709 677)	(98 067 390)
Operating Surplus/(Deficit) for the Year		62 306 669	12 429 615
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	9	318	284
Reversal of Impairment Loss/(Impairment Loss) on Receivables	38	2 616 702	(7 053 046)
Gains/(Loss) on Sale of Fixed Assets	39	1 787 865	(52 110)
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	40	-	-
Profit/(Loss) on Fair Value Adjustments	41	-	-
Water Losses	42	(64 412)	(270 626)
NET SURPLUS/(DEFICIT) FOR THE YEAR		66 647 142	5 054 117

HANTAM MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

	Revaluation Reserve R	Accumulated Surplus/ (Deficit) R	Total R
Balance at 1 July 2016	2 742 166	127 978 166	130 720 332
Correction of Error - Note 44.10	-	23 408 038	23 408 038
Restated balance	2 742 166	151 386 204	154 128 370
Net Surplus/(Deficit) for the year	-	5 054 117	5 054 117
Net Surplus/(Deficit) previously reported	-	18 248 964	18 248 964
Effects of Correction of Errors - Note 44.11	-	(13 194 847)	(13 194 847)
Offsetting of depreciation	(113 990)	113 990	-
Restated balance at 30 June 2017	2 628 176	156 554 311	159 182 487
Net Surplus/(Deficit) for the year	-	66 647 142	66 647 142
Offsetting of depreciation	-	-	-
Balance at 30 June 2018	2 628 176	223 201 453	225 829 630

HANTAM MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 R	2017 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts			
Taxation		7 803 995	6 078 312
Service Charges		34 565 897	33 685 269
Other Revenue		5 383 752	1 666 210
Government - Operating		25 158 000	24 202 000
Government - Capital		95 642 000	32 731 427
Interest		1 072 322	712 526
Dividends		-	-
Cash payments			
Suppliers and Employees		(68 452 182)	(59 654 687)
Finance Charges		(82 154)	(27 178)
Transfers and Grants		-	-
Net Cash from Operating Activities	45	101 091 629	39 393 878
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(94 494 575)	(38 942 273)
Decrease/(Increase) in Non-Current Debtors		93 969	(158 139)
Net Cash from Investing Activities		(94 400 606)	(39 100 412)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(Decrease) in Consumer Deposits		78 595	66 449
Repayment of Borrowing		(154 665)	(112 762)
Net Cash from Financing Activities		(76 070)	(46 313)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		6 614 953	247 153
Cash and Cash Equivalents at the beginning of the year		785 850	538 697
Cash and Cash Equivalents at the end of the year	46	7 400 803	785 850
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		6 614 953	247 153

HANTAM MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

	Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
		R	R	R	R	R	R	2018 R	%
ASSETS									
Current Assets									
		4 000 000	14 529 794	18 529 794	-	-	18 529 794	754 359	-95.93%
		-	-	-	-	-	-	6 646 445	100.00%
		19 096 388	-	19 096 388	-	-	19 096 388	3 397 534	-82.21%
		-	-	-	-	-	-	8 131 920	100.00%
		-	-	-	-	-	-	101 402	100.00%
		71 358	-	71 358	-	-	71 358	72 112	1.06%
Total Current Assets	49.2.1	23 167 746	14 529 794	37 697 540	-	-	37 697 540	19 103 770	-49.32%
Non-Current Assets									
		-	-	-	-	-	-	124 216	100.00%
		-	-	-	-	-	-	-	-
		26 346 562	-	26 346 562	-	-	26 346 562	36 670 418	39.18%
		-	-	-	-	-	-	-	-
		252 574 924	23 500 000	276 074 924	-	-	276 074 924	280 873 373	1.74%
		-	-	-	-	-	-	-	-
		67 500	-	67 500	-	-	67 500	67 500	0.00%
		120 000	-	120 000	-	-	120 000	725 218	504.35%
		-	-	-	-	-	-	-	-
Total Non-Current Assets	49.2.2	279 108 986	23 500 000	302 608 986	-	-	302 608 986	318 460 725	5.24%
TOTAL ASSETS		302 276 732	38 029 794	340 306 526	-	-	340 306 526	337 564 496	-0.81%
LIABILITIES									
Current Liabilities									
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	186 333	100.00%
		742 000	-	742 000	-	-	742 000	911 979	22.91%
		11 757 151	-	11 757 151	-	-	11 757 151	59 396 117	405.19%
		2 696 533	-	2 696 533	-	-	2 696 533	4 228 284	56.80%
Total Current Liabilities	49.2.3	15 195 684	-	15 195 684	-	-	15 195 684	64 722 713	325.93%
Non-Current Liabilities									
		2 483 887	-	2 483 887	-	-	2 483 887	164 440	-93.38%
		43 330 809	-	43 330 809	-	-	43 330 809	46 847 713	8.12%
Total Non-Current Liabilities	49.2.4	45 814 696	-	45 814 696	-	-	45 814 696	47 012 153	2.61%
TOTAL LIABILITIES		61 010 380	-	61 010 380	-	-	61 010 380	111 734 866	83.14%
NET ASSETS									
		238 304 239	38 029 794	276 334 033	-	-	276 334 033	223 201 453	-19.23%
		2 962 113	-	2 962 113	-	-	2 962 113	2 628 176	-11.27%
TOTAL NET ASSETS	49.2.5	241 266 352	38 029 794	279 296 146	-	-	279 296 146	225 829 629	-19.14%

HANTAM MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
		R	R	R	R	R	R	2018 R	%
REVENUE									
Property Rates		8 116 238	272 064	8 388 302	-	-	8 388 302	8 387 927	0.00%
Service Charges - Electricity Revenue		26 700 854	-	26 700 854	-	-	26 700 854	22 767 884	-14.73%
Service Charges - Water Revenue		10 034 387	304 565	10 338 952	-	-	10 338 952	6 981 578	-32.47%
Service Charges - Sanitation Revenue		6 155 918	48 947	6 204 865	-	-	6 204 865	4 411 722	-28.90%
Service Charges - Refuse Revenue		6 564 792	-	6 564 792	-	-	6 564 792	4 688 459	-28.58%
Service Charges - Other Revenue		-	-	-	-	-	-	-	-
Rental of Facilities and Equipment		1 020 145	15 200	1 035 345	-	-	1 035 345	349 873	-66.21%
Interest Earned - External Investments		-	-	-	-	-	-	1 072 322	-100.00%
Interest Earned - Outstanding Debtors		2 287 875	(401 380)	1 886 495	-	-	1 886 495	1 135 683	-39.80%
Dividends Received		-	-	-	-	-	-	-	-
Fines		33 000	-	33 000	-	-	33 000	49 950	51.36%
Licences and Permits		1 100	-	1 100	-	-	1 100	657	-40.28%
Agency Services		768 420	-	768 420	-	-	768 420	925 592	20.45%
Transfers Recognised - Operational		25 184 000	-	25 184 000	-	-	25 184 000	25 184 000	0.00%
Other Revenue		1 683 899	(89 000)	1 594 899	-	-	1 594 899	2 013 405	26.24%
Gains on Disposal of PPE		-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)									
	49.2.6	88 550 628	150 396	88 701 024	-	-	88 701 024	77 969 051	-12.10%
EXPENDITURE									
Employee Related Costs		37 350 501	680 011	38 030 512	-	-	38 030 512	38 846 980	2.15%
Remuneration of Councillors		2 918 258	112 363	3 030 621	-	-	3 030 621	3 031 625	0.03%
Debt Impairment		3 179 405	-	3 179 405	-	-	3 179 405	(2 616 702)	-182.30%
Depreciation and Asset Impairment		5 420 680	-	5 420 680	-	-	5 420 680	8 997 064	65.98%
Finance Charges		3 206 504	-	3 206 504	-	-	3 206 504	2 786 675	-13.09%
Bulk Purchases		22 061 915	500 000	22 561 915	-	-	22 561 915	20 464 378	-9.30%
Other Materials		1 392 780	48 060	1 440 840	-	-	1 440 840	1 773 259	23.07%
Contracted Services		9 981 450	(1 363 000)	8 618 450	-	-	8 618 450	11 399 850	32.27%
Transfers and Grants		273 204	-	273 204	-	-	273 204	4 381	-98.40%
Other Expenditure		9 024 064	766 372	9 790 436	-	-	9 790 436	18 403 301	87.97%
Loss on Disposal of PPE		-	-	-	-	-	-	(1 787 865)	-
Total Expenditure									
	49.2.7	94 808 761	743 806	95 552 567	-	-	95 552 567	101 302 945	6.02%
Surplus/(Deficit)									
		(6 258 133)	(593 410)	(6 851 543)	-	-	(6 851 543)	(23 333 894)	240.56%
Transfers Recognised - Capital		72 142 000	23 500 000	95 642 000	-	-	95 642 000	89 981 037	-5.92%
Contributions Recognised - Capital		-	-	-	-	-	-	-	-
Contributed Assets		-	-	-	-	-	-	-	-
Surplus/(Deficit) after Capital Transfers & Contributions									
		65 883 867	22 906 590	88 790 457	-	-	88 790 457	66 647 142	-24.94%
Taxation		-	-	-	-	-	-	-	-
Surplus/(Deficit) after Taxation									
		65 883 867	22 906 590	88 790 457	-	-	88 790 457	66 647 142	-24.94%
Attributable to Minorities		-	-	-	-	-	-	-	-
Surplus/(Deficit) Attributable to Municipality									
		65 883 867	22 906 590	88 790 457	-	-	88 790 457	66 647 142	-24.94%
Share of Surplus/(Deficit) of Associate		-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year									
		65 883 867	22 906 590	88 790 457	-	-	88 790 457	66 647 142	-24.94%

HANTAM MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by- law)	Final Budget	Actual Outcome 2018 R	Actual Outcome as % of Final Budget %	
		R	R	R	R	R	R	R	%	
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
	Taxation	7 686 238	272 064	7 958 302	-	-	7 958 302	7 803 995	-1.94%	
	Service Charges	46 714 733	353 512	47 068 245	-	-	47 068 245	34 565 897	-26.56%	
	Other Revenue	3 500 564	(490 180)	3 010 384	-	-	3 010 384	5 383 752	78.84%	
	Government - Operating	25 184 000	-	25 184 000	-	-	25 184 000	25 158 000	-0.10%	
	Government - Capital	72 142 000	15 000 000	87 142 000	-	-	87 142 000	95 642 000	9.75%	
	Interest	-	-	-	-	-	-	1 072 322	100.00%	
	Dividends	-	-	-	-	-	-	-		
Payments										
	Suppliers and Employees	(78 991 606)	(605 602)	(79 597 208)	-	-	(79 597 208)	(68 452 182)	-14.00%	
	Finance costs	-	-	-	-	-	-	(82 154)	-100.00%	
	Transfers and Grants	-	-	-	-	-	-	-		
	Net Cash from/(used) Operating Activities	49.2.8	76 235 929	14 529 794	90 765 723	-	-	90 765 723	101 091 629	11.38%
CASH FLOW FROM INVESTING ACTIVITIES										
Receipts										
	Proceeds on disposal of PPE	-	-	-	-	-	-	-		
	Decrease/(Increase) in Non-Current Debtors	-	-	-	-	-	-	93 969	100.00%	
	Decrease/(Increase) in Other Non-Current Receivables	-	-	-	-	-	-	-		
	Decrease/(Increase) in Non-Current Investments	-	-	-	-	-	-	-		
Payments										
	Capital Assets	(72 537 000)	-	(72 537 000)	-	-	(72 537 000)	(94 494 575)	30.27%	
	Net Cash from/(used) Investing Activities	49.2.9	(72 537 000)	-	(72 537 000)	-	(72 537 000)	(94 400 606)	30.14%	
CASH FLOW FROM FINANCING ACTIVITIES										
Receipts										
	Short Term Loans	-	-	-	-	-	-	-		
	Borrowing long term/refinancing	-	-	-	-	-	-	-		
	Increase/(Decrease) in Consumer Deposits	42 000	-	42 000	-	-	42 000	78 595	87.13%	
Payments										
	Repayment of Borrowing	(555 929)	-	(555 929)	-	-	(555 929)	(154 665)	-72.18%	
	Net Cash from/(used) Financing Activities	49.2.10	(513 929)	-	(513 929)	-	(513 929)	(76 070)	-85.20%	
NET INCREASE/(DECREASE) IN CASH HELD										
	Cash and Cash Equivalents at the year begin:	3 185 000	14 529 794	17 714 794	-	-	17 714 794	6 614 953	-62.66%	
		815 000	-	815 000			815 000	785 850	-3.58%	
	Cash and Cash Equivalents at the year end:	4 000 000	14 529 794	18 529 794	-	-	18 529 794	7 400 803	-60.06%	

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2015) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the annual financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

HANTAM MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the annual financial statements. The reclassification of 2017 audited amounts are set out in note 43 of the annual financial statements.

1.5. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

HANTAM MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included the notes to the annual financial statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2017/18 financial year and municipalities are not required to apply or early adopt GRAP 18. The implementation date of GRAP 18 is 1 April 2019.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 20 (Original – Jun 2011)	<p><u>Related Party Disclosure</u></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt some of the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	1 April 2019
GRAP 32 (Original – Aug 2013)	<p><u>Service Concession Arrangements: Grantor</u></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity.</p> <p>No significant impact expected as any such transactions or events are expected in the foreseeable future.</p>	1 April 2019
GRAP 108 (Original – Sept 2013)	<p><u>Statutory Receivables</u></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	1 April 2019
GRAP 109	<u>Accounting by Principles and Agents</u>	1 April 2019

HANTAM MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	<p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	
GRAP 110	<p><u>Living and non-living resources</u></p> <p>The objective of this Standard is prescribing the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	1 April 2020
IGRAP 17	<p><u>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</u></p> <p>The Interpretation of the Standards is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9. RESERVES

1.9.1. Revaluation Reserve

The accounting for the Revaluation Reserve must be performed in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation reserve is realized as revaluated assets are depreciated, through a transfer from the Revaluation Reserve to the accumulated surplus / (deficit). On disposal, the net revaluation surplus is transferred to the

HANTAM MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

accumulated surplus / (deficit) while gains or losses on disposal, based on revaluated amounts, are charged to the Statement of Financial Performance.

1.10. LEASES

1.10.1. Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.10.2. Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

HANTAM MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished.

1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.13. PROVISIONS

HANTAM MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

1.14. EMPLOYEE BENEFITS

HANTAM MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(a) *Post-Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The interest cost of the defined benefit obligation is recognised as finance cost in the Statement of Financial Performance, as it meets the definition of Interest Cost in GRAP 25. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) *Long Service Awards*

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as finance cost upon valuation, as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) *Staff Leave*

HANTAM MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(d) Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(e) Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees.

(f) Other Short-term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.15. PROPERTY, PLANT AND EQUIPMENT

1.15.1. Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of

HANTAM MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measure at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred are recognised as part of the cost of the asset.

1.15.2. Subsequent Measurement – Revaluation Model (Land and Buildings)

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in the Statement of Financial Performance, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.15.3. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent

HANTAM MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.15.4. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives:

The annual depreciation rates are based on the following estimated useful lives

<u>Land and Buildings</u>	<u>Years</u>
Land	Indefinite
Buildings	5-100
<u>Infrastructure</u>	
Electrical Infrastructure	15-80
Roads Infrastructure	5-100
Sanitation Infrastructure	5-100
Solid Waste Infrastructure	15-65
Storm Water Infrastructure	20-60
Water Supply Infrastructure	5-100
<u>Community</u>	
Community Facilities	5-100
Sport and Recreation Facilities	5-100
Community Facilities	5-100
<u>Finance lease assets</u>	
Office equipment	3
<u>Other</u>	
Motor Vehicles	7-15
Office equipment	6-8
Furniture and fittings	7
Bins and containers	7
Plant and Equipment	7
Emergency equipment	8
Computer equipment	3-5

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Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differ from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.15.5. De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15.6. Land and Buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2015. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2015.

1.16. INTANGIBLE ASSETS

1.16.1. Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute),

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regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.16.2. Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.16.3. Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets

Years

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Computer Software

3-12

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

Intangible Assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.16.4. De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2015.

1.17. INVESTMENT PROPERTY

1.17.1. Initial Recognition

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

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At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred are recognised as part of the cost of the asset.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.17.2. Subsequent Measurement – Fair Value Model

Subsequent to initial recognition, items of investment property is measured at fair value. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

1.17.3. De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.4. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2015.

1.18. AGRICULTURE

1.18.1. Initial Recognition

A biological asset or agricultural produce is recognised when and only when:

- the Municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality;

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- and the fair value or cost of the asset can be measured reliably.

Biological assets are initially measured at their fair value less cost to sell. Bearer plants are recognised as Property, Plant and Equipment in terms of GRAP 17.

1.18.2. Subsequent Measurement

Biological assets are measured at their fair value less cost to sell.

The fair value of game is determined based on market prices of livestock of similar age, breed, and genetic merit in the local industry. Game is considered to be consumable biological assets.

A gain or loss arising on initial recognition of biological assets at fair value less cost to sell is included in profit or loss for the period in which it arises.

1.19. HERITAGE ASSETS

1.19.1. Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.19.2. Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.19.3. Depreciation and Impairment

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

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1.19.4. De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.19.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2015.

1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.20.1. Cash generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset;

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- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.20.2. Non-cash-generating assets

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Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
- A decision to halt the construction of the asset before it is complete or in a usable condition;
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either

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through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.21. INVENTORIES

1.21.1. Initial Recognition

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Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.21.2. Subsequent Measurement

Inventories, consisting of consumable stores, materials and supplies and water, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings.

1.22. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.22.1. Initial Recognition

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Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.22.2. Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.22.2.1. Receivables

Receivables are classified as financial assets at amortised cost and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off

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is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.22.2.2. Payables and Annuity Loans

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.22.2.3. Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.22.3. De-recognition

1.22.3.1. Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor

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retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.22.3.2. *Financial Liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.22.4. *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.23. STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset.

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Statutory receivables can arise from both exchange and non-exchange transactions.

1.23.1. Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

1.23.2. Subsequent Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.23.3. Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to

HANTAM MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:

- i. derecognise the receivable; and
- ii. recognise separately any rights and obligations created or retained in the transfer.

1.24. REVENUE

1.24.1. Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised by the Municipality when the receivable meets the definition of an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

HANTAM MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by the law.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

Services in-kind that are significant to the Municipality's operations are recognised as assets and the related revenue when:

- it is probable that the future economic benefits or service potential will flow to the Municipality; and
- the fair value of the assets can be measured reliably.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the above-mentioned criteria, the Municipality only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset, because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality therefore recognises an expense and related revenue for the consumption of services in-kind.

HANTAM MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.24.2. Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied annually or monthly by choice of the user.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.25. TRANSFER OF FUNCTIONS (Municipality as acquirer)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements* and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

1.26. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – "Related Party Disclosures".

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

(a) A person or a close member of that person's family is related to the Municipality if that person:

- has control or joint control over the Municipality.
- has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
- is a member of the management of the Municipality or its controlling entity.

(b) An entity is related to the Municipality if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
- both entities are joint ventures of the same third party.
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.27. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in

HANTAM MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.31. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-retirement medical obligations and Long service awards

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 15 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;
- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

HANTAM MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the best estimate to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an

HANTAM MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end, which is still unused.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.32. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.33. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.34. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

HANTAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. PROPERTY, PLANT AND EQUIPMENT

2.1 30 JUNE 2018

	Cost/Revaluation						Accumulated Depreciation and Impairment Losses						Carrying Value
	Opening Balance	Correction of Error	Additions & WIP	Transfers	Disposals/ Impairment	Closing Balance	Opening Balance	Correction of Error	Depreciation	Transfers	Disposals/ Impairment	Closing Balance	
Infrastructure													
Roads and Storm Water	61 841 495	-	3 548 330	-	(56 801)	65 333 025	18 836 193	-	1 794 408	-	(33 892)	20 596 708	44 736 316
Electricity	20 596 227	-	476 981	-	-	21 073 208	13 047 269	-	475 147	-	5 347	13 527 762	7 545 446
Water Supply	97 145 287	-	79 747 868	-	-	176 893 155	40 815 838	-	2 230 756	-	-	43 046 594	133 846 561
Sanitation	55 064 801	-	5 635 719	-	(116 217)	60 584 303	17 626 887	-	959 348	-	(38 432)	18 547 804	42 036 499
Solid Waste	19 657 207	-	-	-	-	19 657 207	868 923	-	1 012 772	-	-	1 881 695	17 775 512
	254 305 017	-	89 408 899	-	(173 018)	343 540 898	91 195 110	-	6 472 430	-	(66 978)	97 600 563	245 940 335
Community Assets													
Community Facilities	17 940 578	-	5 973 929	-	-	23 914 507	3 994 459	-	355 351	-	-	4 349 810	19 564 697
Sport and Recreation Facilities	2 555 605	-	-	-	-	2 555 605	1 305 380	-	58 838	-	-	1 364 217	1 191 388
Outdoor Facilities	20 496 183	-	5 973 929	-	-	26 470 112	5 299 839	-	414 189	-	-	5 714 028	20 756 084

30 JUNE 2018 (Continue)

	Cost/Revaluation						Accumulated Depreciation and Impairment Losses						Carrying Value
	Opening Balance	Correction of Error	Additions	Transfers	Disposals/ Impairment	Closing Balance	Opening Balance	Correction of Error	Depreciation	Transfers	Disposals/ Impairment	Closing Balance	
Other Assets													
Other Land	3 319 410	-	-	-	-	3 319 410	-	-	-	-	-	-	3 319 410
Operational Buildings	12 563 224	-	-	-	-	12 563 224	6 885 987	-	621 854	-	-	7 507 841	5 055 383
Furniture and Office Equipment	4 730 027	-	216 307	-	(1 240 475)	3 705 858	3 319 331	-	407 840	-	(1 051 816)	2 675 354	1 030 504
Machinery and Equipment	1 699 383	-	275 411	-	(549 981)	1 424 813	1 174 704	-	137 991	-	(445 474)	867 222	557 591
Transport Assets	9 227 426	-	-	-	(1 223 008)	8 004 418	5 858 725	-	572 318	-	(1 005 906)	5 425 138	2 579 280
	31 539 470	-	491 718	-	(3 013 464)	29 017 723	17 238 747	-	1 740 003	-	(2 503 195)	16 475 554	12 542 169
Leases													
Furniture and Office Equipment	539 815	-	-	-	-	539 815	60 637	-	179 939	-	-	240 576	299 240
	539 815	-	-	-	-	539 815	60 637	-	179 939	-	-	240 576	299 240
Total	306 880 485	-	95 874 546	-	(3 186 482)	399 568 549	113 794 333	-	8 806 560	-	(2 570 173)	120 030 720	279 537 828

HANTAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2.2 30 JUNE 2017

	Cost/Revaluation						Accumulated Depreciation and Impairment Losses						Carrying Value
	Opening Balance	Correction of Error	Additions	Transfers	Disposals/ Impairment	Closing Balance	Opening Balance	Correction of Error	Depreciation	Transfers	Disposals/ Impairment	Closing Balance	
Infrastructure													
Roads and Storm Water	24 810 335	13 862 011	23 209 542	-	(40 393)	61 841 495	3 820 572	13 259 079	1 794 408	-	(37 866)	18 836 193	43 005 303
Electricity	18 927 460	(249 703)	1 918 470	-	-	20 596 227	8 486 958	4 085 164	475 147	-	-	13 047 269	7 548 959
Water Supply	50 282 635	27 169 725	19 692 927	-	-	97 145 287	7 041 565	31 543 517	2 230 756	-	-	40 815 838	56 329 449
Sanitation	47 878 137	3 268 209	3 918 455	-	-	55 064 801	4 335 288	12 332 251	959 348	-	-	17 626 887	37 437 913
Solid Waste	19 613 745	9 785	33 676	-	-	19 657 207	3 585 708	(3 729 556)	1 012 772	-	-	868 923	18 788 283
	161 512 311	44 060 028	48 773 070	-	(40 393)	254 305 017	27 270 090	57 490 456	6 472 431	-	(37 866)	91 195 110	163 109 907
Community Assets													
Community Facilities	4 895 113	9 165 632	-	3 879 833	-	17 940 578	1 404 694	2 005 425	355 351	228 989	-	3 994 459	13 946 119
Cemeteries/Crematoria	3 731 362	-	-	(3 731 362)	-	-	43 537	-	129 775	(173 312)	-	-	-
Airports	148 471	-	-	(148 471)	-	-	49 490	-	6 186	(55 677)	-	-	-
Sport and Recreation Facilities													
Outdoor Facilities	1 639 819	915 786	-	-	-	2 555 605	725 949	520 593	58 838	-	-	1 305 380	1 250 225
	10 414 766	10 081 417	-	0	-	20 496 183	2 223 670	2 526 018	550 151	(0)	-	5 299 839	15 196 344
Other Assets													
Other Land	3 551 000	(231 590)	-	-	-	3 319 410	-	-	-	-	-	-	3 319 410
Operational Buildings	8 724 124	3 839 100	-	-	-	12 563 224	3 621 466	2 642 667	621 854	-	-	6 885 987	5 677 237
Furniture and Office Equipment	3 862 587	703 570	163 870	-	-	4 730 027	2 540 652	(2 540 652)	3 319 330	-	-	3 319 331	1 410 696
Machinery and Equipment	1 201 253	475 737	22 393	-	-	1 699 383	811 238	(811 238)	1 174 705	-	-	1 174 704	524 678
Transport Assets	8 725 968	501 459	-	-	-	9 227 426	5 026 909	(5 026 909)	5 858 725	-	-	5 858 725	3 368 701
	26 064 932	5 288 275	186 263	-	-	31 539 470	12 000 265	(5 736 132)	10 974 614	-	-	17 238 747	14 300 723
Leases													
Furniture and Office Equipment	503 000	55 780	484 036	-	(503 000)	539 815	363 750	89 667	60 637	-	(453 417)	60 637	479 178
	503 000	55 780	484 036	-	(503 000)	539 815	363 750	89 667	60 637	-	(453 417)	60 637	479 178
Total	198 495 009	59 485 500	49 443 369	0	(543 393)	306 880 485	41 857 775	54 370 008	18 057 832	(0)	(491 283)	113 794 333	193 086 152

HANTAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
2.3 Property, Plant and Equipment which is in the process of being constructed or developed:		
Infrastructure Assets	78 736 530	35 487 516
Roads	297 321	10 163 073
Water Supply	78 439 210	24 905 520
Sanitation	-	418 923
Community Assets	5 973 929	-
Total Property, Plant and Equipment under construction	84 710 460	35 487 516

The movements for the year can be reconciled as follows:

Opening Balance	35 487 516	11 835 765
Expenditure during the year	84 252 668	26 605 035
Assets unbundled during the year	(35 029 725)	(2 953 284)
Total Property, Plant and Equipment under construction	84 710 460	35 487 516

2.4 There are no Property, Plant and Equipment that is taking a significantly longer period of time to complete than expected.

2.5 Property, Plant and Equipment where construction or development has been halted:

Infrastructure Assets	-	4 495 629
Storm Water	-	455 942
Water Supply	-	4 039 687
Total	-	4 495 629

Capital projects in Brandvlei has been halted as a result of reprioritising water supply projects in Loeriesfontein. There is no indication of any impairment losses in relation to these assets.

2.6 Expenditure incurred to repair and maintain Property, Plant and Equipment:

Employee related costs	-	878 935
Other materials	136 754	701 865
Contracted Services	9 865 613	2 210 527
Other Expenditure	59 212	-
Total Repairs and Maintenance	10 061 579	3 791 327

2.7 Assets pledged as security:

Leased Property, Plant and Equipment of R299 240 (2017: R475 969) is secured for leases as set out in Note 13.

2.8 Effect of changes in accounting estimates

	2018 R	2019 R	2020 R
Previously recognised	-	-	-
Revised	(694 015)	(694 015)	(694 015)
Effect on Property, plant and equipment	(694 015)	(694 015)	(694 015)

Depreciated Replacement Cost was calculated in accordance with Directive 7. Where it was impracticable to determine depreciated replacement cost on GRAP implementation date, 1 July 2015 was used.

Reconciliation of Revaluation Surplus:

Opening balance	2 628 176	2 742 166
Movement for the period	-	(113 990)
Closing balance	2 628 176	2 628 176

HANTAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
2.9 Contractual commitments for acquisition of Property, Plant and Equipment:		
Approved and contracted for:	26 163 307	106 323 514
Infrastructure	26 160 517	106 323 514
Community	2 790	-
Total	26 163 307	106 323 514
This expenditure will be financed from:		
Government Grants	26 163 307	106 323 514
Total	26 163 307	106 323 514

3. AGRICULTURAL

3.1 Biological Assets that from part on an agricultural activity:

Consumable Biological Asset	Quantity (Units)	Fair Value	2018 R	2017 R
Springbuck	150	450	67 500	67 500
Total Consumable Biological Assets		450	67 500	67 500
Total Biological Assets		450	67 500	67 500

Fair value of biological assets is based on selling prices less costs to sell in an open market.

	2018 R	2017 R
3.2 Reconciliation of changes in the carrying amount of biological assets:		
Balance beginning of year	67 500	67 500
Additions	-	-
Disposals	-	-
Transfers	-	-
Other changes	-	-
Balance end of year	67 500	67 500

No title or other restrictions are placed on biological assets.

No biological assets were pledged as security for liabilities.

There are no commitments for the development or acquisition of biological assets.

All biological assets are located in the Akkerdam Nature Reserve. The primary activities revolving around biological assets are as follows:

- Ensure that the game life of the municipal area are conserved for future generations.
- Ensure that game numbers are managed adequately. When the need arises to reduce the game number, prospective hunters are invited to submit tenders for the purchase game, resulting in an inflow of resources to the municipality.

Due to the unwillingness of insurance companies to carry the risk and potential losses relating to biological assets, the financial risk is managed as follows:

- Regular inspection and maintenance of boundary fences to manage movement of biological assets.
- Regular monitoring of game quantities by municipal staff.

All biological assets are considered to be consumable biological assets in term of GRAP 27.

4. INVESTMENT PROPERTY

4.1 Net Carrying amount at 1 July	36 670 418	36 670 418
Valuation	36 670 418	26 281 562
Correction of Error - Note 44.2	-	10 388 856
Net Carrying amount at 30 June	36 670 418	36 670 418
Valuation	36 670 418	36 670 418

HANTAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
4.2 Revenue from Investment Property		
Revenue derived from the rental of Investment Property	311 295	256 805
4.3 Operating Expenditure incurred on properties:		
Repairs and Maintenance		
Revenue Generating	-	33 058
Improved Property	-	33 058
Total Repairs and Maintenance	-	33 058
Other Operating Expenditure		
Revenue Generating	-	600
Improved Property	-	600
Total Other Operating Expenditure	-	600

There are no Investment Property which is in the process of being constructed or developed.

There are no Investment Property that is taking a significantly longer period of time to complete than expected.

There are no Investment Property where construction or development has been halted.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

5. INTANGIBLE ASSETS

5.1 Net Carrying amount at 1 July	725 218	725 218
Cost	725 218	-
Correction of Error - Note 44.3	-	725 218
Net Carrying amount at 30 June	725 218	725 218
Cost	725 218	725 218

There are no Intangible Assets which is in the process of being constructed or developed.

There are no Intangible Assets that is taking a significantly longer period of time to complete than expected.

There are no Intangible Assets where construction or development has been halted.

No intangible asset were assed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There age no intangible assets pledged as security for liabilities.

There are no contractual commitments for the acquisition of intangible assets.

HANTAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
6. HERITAGE ASSETS		
6.1 Net Carrying amount at 1 July	1 335 555	1 335 555
Cost	1 335 555	1 618 055
Correction of Error - Note 44.4	-	(282 500)
Net Carrying amount at 30 June	1 335 555	1 335 555
Cost	1 335 555	1 335 555
Calvinia Museum	1 310 000	1 310 000
Akkerendam Nature Reserve	25 556	25 556
	1 335 556	1 335 556

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no Heritage Assets pledged as security for liabilities

There are no Heritage Assets that are used by the municipality for more than one purpose.

There are no Heritage Assets which is in the process of being constructed or developed.

There are no Heritage Assets that is taking a significantly longer period of time to complete than expected.

There are no Heritage Assets where construction or development has been halted.

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

There are no Heritage Assets pledged as security for liabilities

There are no Heritage Assets that are used by the municipality for more than one purpose.

There was no expenditure incurred for repairs and maintenance of Heritage Assets.

7. NON-CURRENT RECEIVABLES FROM EXCHANGE TRANSACTIONS

Receivables with repay arrangements - At amortised cost	187 063	274 043
Electricity	12 318	11 209
Water	47 895	90 236
Waste Management	37 885	58 245
Waste Water Management	42 609	59 479
Other Service Charges	46 356	54 874
Less: Current portion transferred to Receivables from Exchange Transactions	(84 074)	(113 276)
Total Non-Current Receivables from Exchange Transactions	102 990	160 768

8. NON-CURRENT RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Receivables with repay arrangements - At amortised cost	38 555	45 544
Rates	38 555	45 544
Less: Current portion transferred to Receivables from Non-Exchange Transactions	(17 328)	(18 826)
Total Non-Current Receivables from Non-Exchange Transactions	21 227	26 718

9. INVENTORY

Water	72 112	54 752
Total Inventory	72 112	54 752

The municipality recognised only purification costs in respect of non-purchased purified water inventory.

HANTAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
9.1 Inventories recognise as an expense during the year:		
Materials and Supplies	1 735 375	960 273
Water	37 884	21 339
Correction of Error - Note 44.8	-	447
Total	1 773 259	982 059
10. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	5 026 452	5 728 693
Water	9 888 432	13 574 476
Waste Management	7 513 681	9 908 056
Waste Water Management	4 824 114	7 038 803
Other Arrears	6 553 388	3 480 291
Total: Receivables from exchange transactions (before provision)	33 806 069	39 730 319
Less: Provision for Debt Impairment	(30 408 535)	(34 009 632)
Total: Receivables from exchange transactions (after provision)	3 397 534	5 720 687
Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.		
The fair value of receivables approximate their carrying value.		
Debtors with a total outstanding balance of R187 063 (2017 - R274 043) have arranged to settle their account over an re-negotiated period. Total payments to the value of R102 990 (2017 - R160 768) have been deferred beyond 12 months after year end and subsequently included as part of long-term receivables.		
<u>(Electricity): Ageing</u>		
Current (0 - 30 days)	2 093 192	1 583 505
31 - 60 Days	191 005	963 426
61 - 90 Days	163 489	221 680
+ 90 Days	2 578 767	2 960 083
Total	5 026 452	5 728 693
<u>(Water): Ageing</u>		
Current (0 - 30 days)	1 014 851	927 697
31 - 60 Days	303 919	1 579 339
61 - 90 Days	340 919	477 548
+ 90 Days	8 228 743	10 589 891
Total	9 888 432	13 574 476
<u>(Waste Management): Ageing</u>		
Current (0 - 30 days)	564 062	422 965
31 - 60 Days	195 703	279 057
61 - 90 Days	179 351	247 932
+ 90 Days	6 574 565	8 958 101
Total	7 513 681	9 908 056
<u>(Waste Water Management): Ageing</u>		
Current (0 - 30 days)	529 756	460 570
31 - 60 Days	163 529	244 087
61 - 90 Days	159 318	212 526
+ 90 Days	3 971 511	6 121 620
Total	4 824 114	7 038 803

HANTAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<u>(Other): Ageing</u>		
Current (0 - 30 days)	148 607	141 321
31 - 60 Days	65 358	74 306
61 - 90 Days	62 993	56 911
+ 90 Days	6 276 430	3 207 754
Total	6 553 388	3 480 291

<u>(Total): Ageing</u>		
Current (0 - 30 days)	4 350 468	3 536 058
31 - 60 Days	919 514	3 140 215
61 - 90 Days	906 070	1 216 597
+ 90 Days	27 630 017	31 837 449
Total	33 806 069	39 730 319

Reconciliation of Provision for Debt Impairment

Balance at beginning of year	34 009 632	27 525 315
Contribution to provision	-	5 687 997
VAT on provision	(469 708)	796 320
Reversal of provision	(3 131 389)	-
Balance at end of year	30 408 535	34 009 632

The total amount of this provision is R30 408 535 (2017: R34 009 632) and consist of:

Services	30 408 535	34 009 632
Other Debtors	-	-
Total Provision for Debt Impairment on Receivables from exchange transactions	30 408 535	34 009 632

Ageing of amounts past due but not impaired:

1 month past due	-	2 184 629
2+ months past due	-	-
	-	2 184 629

11. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Taxes - Rates	10 637 188	10 053 256
Insurance Claims	12 957	12 957
Other Receivables	254 909	2 297 694
Correction of Error - Note 44.2	-	1 490
	10 905 055	12 365 397
Less: Provision for Debt Impairment	(9 120 394)	(8 605 708)
Total Receivables from non-exchange transactions	1 784 660	3 759 689

The fair value of other receivables approximate their carrying value.

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

Debtors with a total outstanding balance of R38 555 (2017 - R45 544) have arranged to settle their account over an re-negotiated period. Total payments to the value of R17 328 (2017 - R18 826) have been deferred beyond 12 months after year end and subsequently included as part of long term debtors.

(Rates): Ageing

Current (0 - 30 days)	748 677	513 723
31 - 60 Days	213 917	218 534
61 - 90 Days	194 393	176 531
+ 90 Days	9 480 201	9 144 468
Total	10 637 188	10 053 256

HANTAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Summary of Debtors by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2018			
Current (0 - 30 days)	2 742 920	935 865	528 138
31 - 60 Days	902 125	72 850	158 456
61 - 90 Days	891 183	51 056	158 224
+ 90 Days	34 873 594	1 574 565	1 554 281
Sub-total	39 409 822	2 634 336	2 399 099
Less: Provision for Debt Impairment	(37 012 212)	(1 317 168)	(1 199 550)
Total debtors by customer classification	2 397 610	1 317 168	1 199 550

Summary of Debtors by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2017			
Current (0 - 30 days)	3 344 580	1 046 392	698 751
31 - 60 Days	1 042 584	96 219	121 169
61 - 90 Days	953 922	52 744	122 429
+ 90 Days	39 150 847	1 901 159	1 252 779
Sub-total	44 491 933	3 096 514	2 195 128
Less: Provision for Debt Impairment	(39 956 592)	(1 566 282)	(1 092 467)
Total debtors by customer classification	4 535 341	1 530 232	1 102 661

Reconciliation of Provision for Debt Impairment

Balance at beginning of year	8 605 708	7 240 660
Contribution to provision	514 686	1 365 048
Reversal of provision	-	-
Balance at end of year	9 120 394	8 605 708

The total amount of this provision is R9 120 394 (2017: R8 605 708) and consist of:

Taxes	9 120 394	8 605 708
Total Provision for Debt Impairment on Trade Receivables from non-exchange transactions	9 120 394	8 605 708

Ageing of amounts past due but not impaired:

1 month past due	213 917	218 534
2+ months past due	554 199	715 291
	768 116	933 825

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

HANTAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
12. BANK ACCOUNTS		
12.1 Cash and Cash Equivalents		
Current Accounts	752 859	715 181
Call Deposits and Investments	6 646 445	69 168
Cash On-hand	1 500	1 500
Total Cash and Cash Equivalents - Assets	7 400 803	785 850

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Call Investments Deposits to an amount of R6 465 970 are held to fund the Unspent Conditional Grants (2017: R52 570).

The municipality has the following bank accounts:

Current Accounts

Standard Bank - Account No. 08 298 352 6 (Primary Bank Account):	664 002	629 177
ABSA Bank - Account No. 1620 000 031 (Secondary Bank Account):	88 857	86 004
	752 859	715 181

Call Deposits and Investments

Call Deposit CRR - Standard Bank Account No. 088673669021:	140 544	13 507
Financial Management Grant - Standard Bank Account No. 088673669024:	7 831	27 613
Municipal Systems Improvement Grant - Standard Bank Account No. 088673669023:	3 565	3 466
Hantam DBSA - Standard Bank Account No. 088673669025:	5 685 807	1 519
Municipal Infrastructure Grant - Standard Bank Account No. 088673669022:	761 993	19 295
Hantam Surplus Cash - Standard Bank Account No. 088673669026:	39 931	1 573
Hantam EPWP - Standard Bank Account No. 088673669027:	1 115	1 084
Hantam INEP - Standard Bank Account No. 088673669028:	5 659	1 113
	6 646 445	69 168

Details of current accounts are as follow:

Standard Bank - Account No. 08 298 352 6 (Primary Bank Account):

Cash book balance at beginning of year	629 177	466 763
Cash book balance at end of year	664 002	629 177
Bank statement balance at beginning of year	504 110	817 802
Bank statement balance at end of year	655 435	504 110

ABSA Bank - Account No. 1620 000 031 (Secondary Bank Account):

Cash book balance at beginning of year	86 004	16 667
Cash book balance at end of year	88 857	86 004
Bank statement balance at beginning of year	75 240	14 911
Bank statement balance at end of year	67 048	75 240

Details of call investment accounts are as follow:

Call Deposit CRR - Standard Bank Account No. 088673669021:

Cash book balance at beginning of year	13 507	2 733
Cash book balance at end of year	140 544	13 507
Bank statement balance at beginning of year	13 507	2 733
Bank statement balance at end of year	140 544	13 507

Financial Management Grant - Standard Bank Account No. 088673669024:

Cash book balance at beginning of year	27 613	3 621
Cash book balance at end of year	7 831	27 613
Bank statement balance at beginning of year	27 613	3 621
Bank statement balance at end of year	7 831	27 613

HANTAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
Municipal Systems Improvement Grant - Standard Bank Account No. 088673669023:		
Cash book balance at beginning of year	3 466	3 247
Cash book balance at end of year	3 565	3 466
Bank statement balance at beginning of year	3 466	3 247
Bank statement balance at end of year	3 565	3 466
Hantam DBSA - Standard Bank Account No. 088673669025:		
Cash book balance at beginning of year	1 519	1 423
Cash book balance at end of year	5 685 807	1 519
Bank statement balance at beginning of year	1 519	1 423
Bank statement balance at end of year	5 685 807	1 519
Municipal Infrastructure Grant - Standard Bank Account No. 088673669022:		
Cash book balance at beginning of year	19 295	38 847
Cash book balance at end of year	761 993	19 295
Bank statement balance at beginning of year	19 295	38 847
Bank statement balance at end of year	761 993	19 295
Hantam Surplus Cash - Standard Bank Account No. 088673669026:		
Cash book balance at beginning of year	1 573	1 838
Cash book balance at end of year	39 931	1 573
Bank statement balance at beginning of year	1 573	1 838
Bank statement balance at end of year	39 931	1 573
Hantam EPWP - Standard Bank Account No. 088673669027:		
Cash book balance at beginning of year	1 084	1 015
Cash book balance at end of year	1 115	1 084
Bank statement balance at beginning of year	1 084	1 015
Bank statement balance at end of year	1 115	1 084
Hantam INEP - Standard Bank Account No. 088673669028:		
Cash book balance at beginning of year	1 113	1 043
Cash book balance at end of year	5 659	1 113
Bank statement balance at beginning of year	1 113	1 043
Bank statement balance at end of year	5 659	1 113
13. LONG-TERM BORROWINGS		
Capitalised Lease Liability - At amortised cost	350 773	505 438
	350 773	505 438
Less: Current Portion transferred to Current Liabilities	(186 333)	(154 666)
Capitalised Lease Liability - At amortised cost	(186 333)	(154 666)
Total Long-term Borrowings	164 440	350 772
13.1 The obligations under finance leases are scheduled below:	Minimum payments	
Amounts payable under finance leases:		
Payable within one year	236 820	236 820
Payable within two to five years	177 615	414 435
Payable after five years	-	-
	414 435	651 255
Less: Future finance obligations	(63 663)	(145 817)
Present value of finance lease obligations	350 772	505 438

HANTAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
Kyocera	Copier	17-23%	0%	3 Years	01/03/2020

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

Finance Leases are secured by property, plant and equipment - Note 2

	2018 R	2017 R
14. NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	30 322 537	27 396 896
Correction of Error - Note 44.4	-	(35 115)
Total Non-current Provisions	30 322 537	27 361 781
14.1 Landfill Sites		
Balance 1 July	27 361 781	25 763 604
Contribution for the year	1 580 796	1 647 934
Change in Provision for Rehabilitation Cost	1 379 960	(14 642)
Correction of Error - Note 44.4	-	(35 115)
Total provision 30 June	30 322 537	27 361 781
Less: Transfer of Current Portion to Current Provisions	-	-
Balance 30 June	30 322 537	27 361 781

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows

	Brandvlei	Calvinia	Loeriesfontein	Nieuwoudtville
Rehabilitation volume (m³)	28 395	33 017	7 153	3 791
Preliminary and general (Rand)	895 182	1 231 906	278 618	171 377
Site Clearance and Preparation	83 765	97 400	21 101	11 183
Storm water control measures (Rand)	1 228 225	1 326 115	594 906	468 965
Capping (Rand)	4 665 855	5 416 902	1 186 626	583 281
Leachate Management (Rand)	346 947	657 499	178 126	151 329
Fencing (Rand)	9 367	1 301 414	9 367	9 367
Environmental Authorisation Closing License (Rand)	419 800	419 800	419 800	419 800
Technical ROD (Rand)	88 655	88 655	88 655	88 655
Install Groundwater Monitoring Boreholes with locable caps (Rand)	206 010	206 010	206 010	206 010
Landscape Architects (Rand)	117 810	117 810	117 810	117 810
Water use licence (Rand)	17 428	17 428	17 428	17 428
Topographical Survey (Rand)	5 300	6 148	5 300	5 300
Contingencies (Rand)	728 934	1 003 124	226 874	139 550
Engineering: Professional Fees (Rand)	601 371	827 577	187 171	115 129
Site Supervision (Engineer's Representative) (Rand)	370 613	588 327	384 703	292 591
Site Supervision (Environmental Control Officer & OHS Agent) (Rand)	84 950	160 476	115 630	89 835

The municipality has an obligation to rehabilitate landfill sites at the end of the expected usefull life of the asset. Total cost at the current inflation rate, and estimated date of decommission of the sites are as follows:

Location	Estimated decommission date	2018 R	2017 R
Brandvlei	2080	274 543 351	274 578 466
Calvinia	2025	19 589 568	18 267 100
Loeriesfontein	2028	6 897 703	11 225 518
Nieuwoudtville	2035	6 446 521	7 651 154
		307 477 143	311 722 238

HANTAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
15. NON-CURRENT EMPLOYEE BENEFITS		
Provision for Post Retirement Health Care Benefits	14 791 118	11 726 259
Provision for Long Service Awards	1 734 058	1 677 354
Total Non-current Employee Benefits	16 525 176	13 403 613
<u>Post Retirement Health Care Benefits</u>		
Balance 1 July	12 327 937	11 394 778
Contribution for the year	1 416 546	1 292 406
Expenditure for the year	(692 790)	(474 457)
Removal of Maximum Subsidy	3 504 503	-
Actuarial Loss/(Gain)	(911 395)	115 210
Total provision 30 June	15 644 801	12 327 937
Less: Transfer of Current Portion to Current Provisions - Note 17	(853 683)	(601 678)
Balance 30 June	14 791 118	11 726 259
<u>Long Service Awards</u>		
Balance 1 July	1 849 647	2 037 898
Contribution for the year	370 676	327 566
Expenditure for the year	(86 869)	(188 249)
Actuarial Loss/(Gain)	(154 864)	(327 568)
Total provision 30 June	1 978 590	1 849 647
Less: Transfer of Current Portion to Current Provisions - Note 17	(244 532)	(172 293)
Balance 30 June	1 734 058	1 677 354

15.1 Provision for Post Retirement Health Care Benefits

The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	23	25
Continuation members (e.g. Retirees, widows, orphans)	15	13
Total Members	38	38

The liability in respect of past service has been estimated to be as follows:

In-service members	5 291 229	5 362 866
Continuation members	10 353 572	6 965 071
Total Liability	15 644 801	12 327 937

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2016 R	2015 R	2014 R
In-service members	4 847 341	7 257 839	6 025 530
Continuation members	6 547 437	5 524 918	4 478 513
Total Liability	11 394 778	12 782 757	10 504 043

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas
Hosmed
LA Health
Key Health, and
Samwumed

The Current-service Cost for the ensuing year is estimated to be R365 253, whereas the Interest Cost for the next year is estimated to be R1 434 437.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Key actuarial assumptions used:	2018 %	2017 %
i) Rate of interest		
Discount rate	9.42%	9.34%
Health Care Cost Inflation Rate	7.27%	7.68%
Net Effective Discount Rate	2.00%	1.54%

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

The normal retirement age for employees of the municipality is 63 years.

iv) Expected rate of salary increases

2018/2019 - 7% + additional 0,5% for employees who earn a basic salary of R9 000 or less.

The three-year Salary and Wage Collective Agreement ends on 30 June 2021.

	2018 R	2017 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	15 644 801	12 327 937
Fair value of plan assets	-	-
	<u>15 644 801</u>	<u>12 327 937</u>
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present Value of unfunded obligations	-	-
Net liability/(asset)	<u>15 644 801</u>	<u>12 327 937</u>

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	12 327 937	11 394 778
Total expenses	723 756	817 949
Current service cost	292 821	278 865
Interest Cost	1 123 725	1 013 541
Benefits Paid	(692 790)	(474 457)
Removal of Maximum Subsidy	3 504 503	-
Actuarial (gains)/losses	(911 395)	115 210
Present value of fund obligation at the end of the year	<u>15 644 801</u>	<u>12 327 937</u>

Reconciliation of fair value of plan assets:

Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions: Employer	-	-
Contributions: Employee	-	-
Past Service Costs	-	-
Actuarial (gains)/losses	-	-
Benefits Paid	-	-
Fair value of plan assets at the end of the year	<u>-</u>	<u>-</u>

Sensitivity Analysis on the Accrued Liability on 30 June 2018

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Central Assumptions	5.291	10.354	15.645

The effect of movements in the assumptions are as follows:

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Assumption					
Health care inflation	1%	6.340	11.349	17.690	13%
Health care inflation	-1%	4.447	9.484	13.932	-11%
Post-retirement mortality	-1 year	5.456	10.740	16.197	4%
Average retirement age	-1 year	5.755	10.354	16.108	3%
Withdrawal Rate	-50%	4.736	10.354	15.090	-4%

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2019

	Current Service Cost (R)	Interest Cost (R)	Total (R)
Assumption			
Central Assumptions	365 300	1 434 400	1 799 700

The effect of movements in the assumptions are as follows:

	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Assumption					
Health care inflation	1%	441 400	1 626 900	2 068 300	15%
Health care inflation	-1%	304 600	1 273 300	1 577 900	-12%
Post-retirement mortality	-1 year	376 600	1 486 400	1 863 000	4%
Average retirement age	-1 year	323 800	1 478 100	1 801 900	0%
Withdrawal Rate	-50%	327 400	1 382 200	1 709 600	-5%

	2018 Rm	2017 Rm
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / loss	0.248	1.158
Assets: Gain / (loss)	-	-

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2016 Rm	2015 Rm	2014 Rm
Liabilities: (Gain) / loss	0,863	1,007	1,090
Assets: Gain / (loss)	-	-	-
	2018 R	2017 R	

15.2 Provision for Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 142 employees were eligible for Long Service Bonuses.

The Current-service Cost for the ensuing year is estimated to be R176 802 whereas the Interest Cost for the next year is estimated to be R157 813.

	2018 %	2017 %
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	8.49%	8.44%
General Salary Inflation (long-term)	6.12%	6.27%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.23%	2.04%

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	1 978 590	1 849 647
Fair value of plan assets	-	-
	<u>1 978 590</u>	<u>1 849 647</u>
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present value of unfunded obligations	-	-
Net liability/(asset)	<u>1 978 590</u>	<u>1 849 647</u>

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	1 849 647	2 037 898
Total expenses	215 429	139 317
Current service cost	153 342	170 615
Interest Cost	148 956	156 951
Benefits Paid	(86 869)	(188 249)
Effect of Valuing different Policy	68 378	-
Actuarial (gains)/losses	(154 864)	(327 568)
Present value of fund obligation at the end of the year	<u>1 978 590</u>	<u>1 849 647</u>

Reconciliation of fair value of plan assets:

Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contribution: Employer	-	-
Contribution: Employee	-	-
Past service costs	-	-
Actuarial (gains)/losses	-	-
Benefits paid	-	-
Fair value of plan assets at the end of the year	<u>-</u>	<u>-</u>

Sensitivity Analysis on the Accrued Liability on 30 June 2018

	Change	Liability (Rm)	% change
Assumption			
Central assumptions		1.979	
General earnings inflation	1%	2.096	6%
General earnings inflation	-1%	1.871	-5%
Average retirement age	-2 yrs	1.830	-7%
Average retirement age	2 yrs	2.205	11%
Withdrawal rates	-50%	2.256	14%

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2019

	Current Service Cost (R)	Interest Cost (R)	Total (R)
Assumption			
Central Assumptions	176 800	157 800	334 600

The effect of movements in the assumptions are as follows:

	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Assumption					
General earnings inflation	+1%	190 800	167 800	358 600	7%
General earnings inflation	-1%	164 200	148 600	312 800	-7%
Discount rate	+1%	165 400	165 800	331 200	-1%
Discount rate	-1%	189 700	148 500	338 200	1%
Average retirement age	-2 years	163 000	145 200	308 200	-8%
Average retirement age	+2 years	195 000	177 000	372 000	11%
Withdrawal Rate	-50%	224 900	181 300	406 200	21%

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 Rm	2017 Rm
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / loss	0.046	0.230
Assets: Gain / (loss)	-	-

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2016 Rm	2015 Rm	2014 Rm
Liabilities: (Gain) / loss	0.003	0.190	0.093
Assets: Gain / (loss)	-	-	-

	2018 R	2017 R
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15.3 Retirement funds

DEFINED CONTRIBUTION FUNDS

Council contribute to the Consolidated Retirement Fund and Municipal Workers Retirement Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

Consolidated Retirement Fund	2 870 088	2 597 244
Municipal Workers Retirement Fund	681 187	671 292
	<u>3 551 275</u>	<u>3 268 536</u>

16. CONSUMER DEPOSITS

Electricity and Water	839 721	771 431
Rental Properties	72 258	61 953
Total Consumer Deposits	<u>911 979</u>	<u>833 384</u>

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

17. CURRENT EMPLOYEE BENEFITS

Performance Bonuses	276 571	210 874
Staff Bonuses	1 089 173	1 011 124
Staff Leave	1 764 326	1 783 842
Current Portion of Non-Current Provisions	1 098 215	773 971
Current Portion of Post Retirement Benefits - Note 15	853 683	601 678
Current Portion of Long-Service Provisions - Note 15	244 532	172 293
Total Provisions	<u>4 228 284</u>	<u>3 779 810</u>

The movement in current provisions are reconciled as follows:

17.1 **Performance Bonuses**

Balance at beginning of year	210 874	180 001
Transfer from non-current	-	-
Contribution to current portion	65 697	30 873
Expenditure incurred	-	-
Balance at end of year	<u>276 571</u>	<u>210 874</u>

Performance bonuses are being paid to the Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
17.2 <u>Staff Bonuses</u>		
Balance at beginning of year	1 011 124	1 009 802
Contribution to current portion	2 878 039	1 700 145
Expenditure incurred	(2 799 990)	(1 698 824)
Balance at end of year	1 089 173	1 011 124

Bonuses are being paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

17.3 <u>Staff Leave</u>		
Balance at beginning of year	1 783 842	1 529 654
Contribution to current portion	110 707	450 986
Expenditure incurred	(130 223)	(196 798)
Balance at end of year	1 764 326	1 783 842

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

18. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	22 287 649	15 775 667
Advance Payments	713 646	757 758
Control, Clearing and Interface Accounts	100	-
Other Payables	4 687 044	3 003 978
Department of Transport	15 615 132	14 185 663
Retentions	10 431 582	314 062
Correction of Error - Note 44.5	-	4 977 549
Total Trade Payables	53 735 153	39 014 678

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

Sundry deposits include Hall, Builders and Housing Deposits.

19. UNSPENT TRANSFERS AND SUBSIDIES

Unspent Transfers and Subsidies	5 660 964	26 000
National Government Grants	5 660 964	35 937
Correction of Error - Note 44.6	-	(9 937)
Less: Unpaid Transfers and Subsidies	-	-
National Government Grants	-	(428)
Correction of Error - Note 44.3	-	428
Total Unspent Transfers and Subsidies	5 660 964	26 000

See appendix "D" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
20. TAXES		
20.1 VAT Payable	-	-
VAT Output in Suspense	(3 880 763)	(4 492 783)
<u>Less:</u> Contribution to Provision for Doubtful Debt Impairment	2 267 155	2 736 864
Total VAT Payable	(1 613 608)	(1 755 920)
20.2 VAT Receivable	3 219 738	1 657 012
VAT Input in Suspense	4 741 129	1 680 691
Total VAT Receivable	7 960 867	3 337 703
20.3 Net VAT (Payable)/Receivable	6 347 260	1 581 783

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

21. NET ASSET RESERVES

RESERVES	2 628 176	2 628 176
Revaluation Reserve	2 628 176	2 628 176
Total Net Asset Reserve and Liabilities	2 628 176	2 628 176

The Revaluation Reserve is created by surplus arising from the revaluation of property, plant and equipment.

22. PROPERTY RATES

Actual

Rateable Land and Buildings	16 038 344	8 367 510
Business and Commercial Property	1 450 064	1 348 690
Public Benefit Organisations	5 191 059	144 567
Residential Properties	6 652 501	4 538 524
State-owned Properties	884 298	681 065
Agricultural Property	1 860 422	1 654 664
<u>Less:</u> Revenue Forgone	(7 650 417)	(716 006)
Total Property Rates	8 387 927	7 651 504

Valuations - 1 July 2017

Rateable Land and Buildings	3 554 565 300	3 382 101 700
Business and Commercial Property	125 031 300	122 216 400
Farm Properties	28 070 600	-
Industrial Property	2 213 200	2 213 200
Municipal Properties	16 773 200	16 773 200
Public Benefit Organisations	17 174 400	17 146 400
Public Service Infrastructure Properties	414 492 900	414 446 900
Residential Properties	493 342 600	488 778 500
Small Holdings	5 796 500	3 149 500
State-owned Properties	72 444 800	72 444 800
Agricultural Property	2 312 365 200	2 178 118 200
Other Categories	66 860 600	66 814 600
Total Assessment Rates	3 554 565 300	3 382 101 700

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development. The next valuation was exempted to 1 July 2019.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Basic Rate

Brandvlei - Land and buildings	1.2025684c/R	1.1302335c/R
Calvinia - Land and buildings	1.2025684c/R	1.1302335c/R
Loeriesfontein - Land and buildings	1.2025684c/R	1.1302335c/R
Nieuwoudtville - Land and buildings	1.2025684c/R	1.1302335c/R
Agriculture Properties	0.0793285c/R	0.0745569c/R

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly instalments.

Rebates were granted on land with buildings used solely for dwellings purposes as follows:

Residential -	The first R35 000 on the valuation is exempted.
Agriculture -	35% Discount
Government -	20% Discount

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

23. GOVERNMENT GRANTS AND SUBSIDIES

	2018 R	2017 R
Government Grants and Subsidies - Operating	25 184 000	25 428 000
Equitable Share	21 047 000	20 774 000
Local Government Financial Management Grant (FMG)	1 900 000	1 825 000
Library Grant	1 237 000	1 702 000
Expanded Public Works Programme	1 000 000	1 127 000
Government Grants and Subsidies - Capital	89 981 037	32 947 852
Municipal Infrastructure Grant (MIG)	16 716 000	12 272 000
Water Services Infrastructure Grant	4 000 000	-
Integrated National Electrification Grant	1 000 000	-
Regional Bulk Infrastructure Grant	68 265 037	20 675 852
Correction of Error - Note 44.8	-	(821)
Total Government Grants and Subsidies	115 165 037	58 375 031
Included in above are the following grants and subsidies received:		
Unconditional	21 047 000	20 774 000
Equitable Share	21 047 000	20 774 000
Conditional	94 118 037	37 601 031
Local Government Financial Management Grant (FMG)	1 900 000	1 824 628
Expanded Public Works Programme	1 000 000	1 127 000
Library Grant	1 237 000	1 702 000
Municipal Infrastructure Grant (MIG)	16 716 000	12 271 551
Water Services Infrastructure Grant	4 000 000	-
Integrated National Electrification Grant	1 000 000	-
Regional Bulk Infrastructure Grant	68 265 037	20 675 852
Total Government Grants and Subsidies	115 165 037	58 375 031

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Equitable share	21 047 000	20 774 000
Finance and Administration	1 900 000	1 824 628
Community and social services	1 297 000	1 774 500
Sport and recreation	6 903 473	227 500
Road Transport	3 619 482	11 994 428
Energy Sources	1 000 000	-
Water Management	72 365 037	20 775 402
Waste Water Management	6 633 045	477 572
Waste Management	400 000	527 000
Total Government Grants and Subsidies	115 165 037	58 375 031

Based on the allocations set out in the Division of Revenue Act (DoRA), no significant changes in the level of government funding are expected over the forthcoming 3 financial years.

23.1 Equitable Share

Opening balance	-	-
Correction of Error	-	-
Grants received	21 047 000	20 774 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(21 047 000)	(20 774 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

23.2 Local Government Financial Management Grant (FMG)

Opening balance	-	458 372
Correction of Error - Note 44.8	-	(372)
Grants received	1 900 000	1 825 000
Interest received	-	-
Repaid to National Revenue Fund	-	(458 000)
Conditions met - Operating	(1 900 000)	(1 825 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

23.3 Municipal Systems Improvement Grant (MSIG)

Opening balance	-	460 572
Correction of Error - Note 44.8	-	428
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	(461 000)
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	-	-

The Municipal Systems Improvement Grant was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
23.4 <u>Municipal Infrastructure Grant (MIG)</u>		
Opening balance	26 000	333 449
Correction of Error - Note 44.8	-	(449)
Grants received	16 716 000	12 272 000
Interest received	-	-
Repaid to National Revenue Fund	(26 000)	(307 000)
Conditions met - Operating	-	-
Conditions met - Capital	(16 716 000)	(12 272 000)
Conditions still to be met	-	26 000
The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.		
23.5 <u>Integrated National Electrification Grant</u>		
Opening balance	-	9 116
Correction of Error - Note 44.8	-	(9 116)
Grants received	1 000 000	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	(1 000 000)	-
Conditions still to be met	-	-
The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
23.6 <u>Regional Bulk Infrastructure Grant</u>		
Opening balance	-	216 425
Correction of Error	-	-
Grants received	65 426 000	20 459 427
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	(65 426 000)	(20 675 852)
Conditions still to be met	-	-
The Regional Infrastructure Grant was utilised to upgrade infrastructure in previously disadvantaged areas.		
23.7 <u>Library Grant</u>		
Opening balance	-	-
Correction of Error	-	-
Grants received	1 237 000	1 702 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(1 237 000)	(1 702 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-
The grant was used to finance library activities.		
23.8 <u>Expanded Public Works Programme</u>		
Opening balance	-	-
Correction of Error	-	-
Grants received	1 000 000	1 127 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(1 000 000)	(1 127 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-
The grant was used for job creation.		

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
23.9 <u>Municipal Water Infrastructure Grant</u>		
Opening balance	-	-
Correction of Error	-	-
Grants received	4 000 000	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	(4 000 000)	-
Conditions still to be met	-	-
The grant was used for drought relief projects.		
23.10 <u>Municipal Disaster Grant</u>		
Opening balance	-	-
Correction of Error	-	-
Grants received	8 500 000	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	(2 839 037)	-
Conditions still to be met	5 660 964	-
The grant was used for drought relief projects.		
23.11 <u>Total Grants</u>		
Opening balance	26 000	1 477 934
Correction of Error - Note 44.8	-	(9 509)
Grants received	120 826 000	58 159 427
Interest received	-	-
Repaid to National Revenue Fund	(26 000)	(1 226 000)
Conditions met - Operating	(25 184 000)	(25 428 000)
Conditions met - Capital	(89 981 037)	(32 947 852)
Conditions still to be met/(Grant expenditure to be recovered)	5 660 964	26 000
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	5 660 964	26 000
Unpaid Conditional Government Grants and Receipts	-	-
Total	5 660 964	26 000
24. <u>SERVICE CHARGES</u>		
Electricity	22 767 884	21 447 033
Water	6 981 578	8 201 893
Waste Management	4 688 459	4 968 536
Waste Water Management	4 411 722	4 908 704
Total Service Charges	38 849 642	39 526 166
Revenue Forgone can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
25. <u>SALES OF GOODS AND RENDERING OF SERVICES</u>		
Building Plan Approval	50 212	92 958
Camping Fees	3 807	26 373
Cemetery and Burial	16 505	6 097
Cleaning and Removal	-	7 987
Clearance Certificates	13 417	12 974
Entrance Fees	20 307	115 768
Photocopies and Faxes	8 369	8 305
Removal of Restrictions	59 221	52 393
Sale of Goods	430	461
Valuation Services	6 139	6 684
Total Sales of Goods and Rendering of Services	178 407	330 000

HANTAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
26. RENTAL FROM FIXED ASSETS		
Investment Property	311 295	256 805
Property, Plant and Equipment	38 578	104 448
Total Rental from Fixed Assets	349 873	361 254
27. INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	1 072 322	712 526
Total Interest Earned - External Investments	1 072 322	712 526
28. INTEREST EARNED - EXCHANGE TRANSACTIONS		
Trade Receivables	1 135 683	1 548 258
Other Receivables	-	2 336
Total Interest Earned - Outstanding Receivables	1 135 683	1 550 594
29. OPERATIONAL REVENUE		
Administrative Handling Fees	1 834 998	292 895
Incidental Cash Surpluses	-	100
Request for Information	-	393
Total Operational Revenue	1 834 998	293 388
30. EMPLOYEE RELATED COSTS		
Basic Salaries and Wages	26 043 540	24 834 530
Pension and UIF Contributions	1 794 055	4 163 994
Medical Aid Contributions	652 075	1 360 554
Overtime and Standby	2 022 037	1 007 534
Bonuses	2 943 736	1 731 018
Motor Vehicle Allowance	993 765	1 121 336
Cell Phone Allowance	157 850	-
Housing Allowances	431 808	619 000
Payments in lieu of leave	110 707	450 986
Lumpsum payments	741 814	-
Workmen's Compensation Fund	2 807	223 162
Post-retirement Benefit Obligations	4 019 044	449 480
Medical - Note 15.1	3 797 324	278 865
Current Service Cost	3 797 324	278 865
Long Service Awards - Note 15.1	221 720	170 615
Less: Employee Costs allocated elsewhere	39 913 238	35 961 595
Cost Capitalised to PPE	-	-
Cost allocated to Inventory	-	-
Total Employee Related Costs	39 913 238	35 961 595

KEY MANAGEMENT PERSONNEL

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager - Mr JI Swartz

Basic Salary	492 345	-
Motor Vehicle Allowance	60 000	-
Cell Phone Allowance	10 200	-
Other benefits and allowances	376 428	-
Total	938 973	-

The Municipal Manager was appointed on 1 November 2017

HANTAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
Remuneration of the Senior Manager: Finance and Corporate Services - Mr W Jonker		
Basic Salary	296 569	-
Motor Vehicle Allowance	48 000	-
Cell Phone Allowance	6 800	-
Other benefits and allowances	193 585	-
Total	544 955	-

The Senior Manager: Finance and Corporate Services was appointed on 1 November 2017

Remuneration of Senior Manager: Technical and Community Services - Mr JR van Wyk		
Basic Salary	492 345	737 063
Annual Bonus	-	20 897
Motor Vehicle Allowance	60 000	60 000
Cell Phone Allowance	10 200	10 200
Other benefits and allowances	376 428	77 251
Total	938 973	905 411

Remuneration of Director : Technical Services - Mr S Tsengiwe		
Basic Salary	98 796	651 059
Motor Vehicle Allowance	16 000	52 608
Cell Phone Allowance	1 700	5 590
Payments in lieu of leave	5 510	-
Long service awards	-	24 796
Total	122 007	734 052

The Director: Technical services contract expired on 31 August 2017

Remuneration of Acting Chief Financial Officer - Mr JH Langner		
Acting Allowance	61 823	127 067
Total	61 823	127 067

31. REMUNERATION OF COUNCILLORS

RN Swartz	789 651	673 929
FJ Sterkse	280 247	248 896
HC Steenkamp	280 247	222 415
G Opperman	280 247	248 896
MS Esau	-	26 879
JH Wilschut	-	26 879
J Swarts	-	26 879
AJE Claasen	280 247	301 911
G Fortuin	-	26 879
E Fallet	-	26 879
H De Wee	280 247	222 415
K Alexander	280 247	222 415
G Gous	280 247	222 415
JE Steenkamp	280 247	222 415
Total Councillors' Remuneration	3 031 625	2 720 101

Remuneration paid to Councillors can be summarised as follow:

	Salary	Travel Allowance	Other Allowances	Contributions	Total
Mayor	641 744	59 147	88 760	-	789 651
Chief Whip	203 400	32 447	44 400	-	280 247
Councillors	1 423 797	227 131	310 800	-	1 961 728
Total Councillors' Remuneration	2 268 940	318 726	443 960	-	3 031 625

In-kind Benefits

The Mayor is a full-time councillors. He is provided with an office and secretarial support at the cost of the Municipality.

HANTAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
32. CONTRACTED SERVICES		
Outsourced Services	804 467	773 573
Consultants and Professional Services	1 385 152	1 139 517
Contractors	9 210 230	6 792 771
Correction of Error - Note 44.11	-	397 675
Total Contracted Services	11 399 850	9 103 536
33. DEPRECIATION AND AMORTISATION		
Property, Plant and Equipment	8 997 064	7 386 094
Correction of Error - Note 44.11	-	10 658 849
Total Depreciation and Amortisation	8 997 064	18 044 944
34. FINANCE COSTS		
Long-term Borrowings	82 154	27 178
Non-current Provisions	1 580 796	1 647 934
Non-current Employee Benefits	1 123 725	1 170 492
Total Finance Costs	2 786 675	2 845 603
35. BULK PURCHASES		
Electricity	20 464 378	16 912 955
Water	-	21 339
Correction of Error - Note 44.8	-	1 806
Total Bulk Purchases	20 464 378	16 936 100
36. TRANSFERS AND SUBSIDIES		
Operational		
Allocations In-kind		
Non-profit Institutions	4 381	246 712
Total Transfers and Subsidies	4 381	246 712
37. OPERATIONAL COSTS		
Advertising, Publicity and Marketing	95 514	360 815
Audit Fees	1 660 369	2 427 859
Bank Charges, Facility and Card Fees	450 894	227 861
Commission	750 000	857 300
Courier and Delivery Services	38 088	53 289
Communication	328 737	414 181
Deeds	17 071	34 166
Entertainment	4 868	5 633
External Computer Service	85 592	246 509
Insurance Underwriting	304 332	349 331
Learnerships and Internships	140 136	247 138
Printing, Publications and Books	631 728	757 201
Professional Bodies, Membership and Subscription	500 000	263 069
Remuneration to Ward Committees	256 535	196 377
Signage	59 212	38 719
Skills Development Fund Levy	297 857	286 059
Travel and Subsistence	1 507 228	1 049 825
Uniform and Protective Clothing	136 061	139 358
Correction of Error - Note 44.8	-	2 028 610
Total Operational Costs	7 264 223	9 983 302
38. REVERSAL OF IMPAIRMENT LOSS/ (IMPAIRMENT LOSS) ON RECEIVABLES		
Receivables from Exchange Transactions	3 131 389	(5 687 997)
Receivables from Non-exchange Revenue	(514 686)	(1 365 048)
Total Reversal of Impairment Loss/ (Impairment Loss) on Receivables	2 616 702	(7 053 046)

HANTAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
39. GAINS/ (LOSS) ON SALE OF FIXED ASSETS		
Property, Plant and Equipment	1 787 865	(52 110)
Total Gains/ (Loss) on Sale of Fixed Assets	1 787 865	(52 110)
40. REVERSAL OF IMPAIRMENT LOSS/ (IMPAIRMENT LOSS) ON FIXED ASSETS		
Property, Plant and Equipment	-	25 188
	-	25 188
Less: Allocated against Provision for Rehabilitation of Landfill-Sites - Note 14		(25 188)
Total Reversal of Impairment Loss/ (Impairment Loss) on Fixed Assets	-	-
41. PROFIT/ (LOSS) ON FAIR VALUE ADJUSTMENTS		
Investment Property carried at fair value	-	106 638
Correction of Error - Note 44.11	-	(106 638)
Total Profit/ (Loss) on Fair Value Adjustments	-	-
42. WATER LOSSES		
Apparent Losses	11 465	48 171
Real Losses	52 947	222 455
Total Water Losses	64 412	270 626
43. RECLASSIFICATION OF ITEMS IN THE FINANCIAL STATEMENTS AS A RESULT OF THE IMPLEMENTATION OF mSCOA		

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the financial statements. The reclassification of 2017 audited amounts can be summarised as follows:

Statement of Financial Position	Balance previously reported	Adjustments	Restated Balance
Revaluation Reserve	2 628 176	-	2 628 176
Accumulated Surplus/(Deficit)	146 341 138	-	146 341 138
Long-term Borrowings	350 772	-	350 772
Non-current Provisions	27 396 896	-	27 396 896
Non-current Employee Benefits	13 403 613	-	13 403 613
Consumer Deposits	771 431	61 953	833 384
Current Employee Benefits	3 779 810	-	3 779 810
Trade and Other Payables from Exchange Transactions	34 099 082	(61 953)	34 037 129
Unspent Transfers and Subsidies	35 937	-	35 937
Current Portion of Long-term Borrowings	154 666	-	154 666
Property, Plant and Equipment	188 666 480	-	188 666 480
Agricultural	67 500	-	67 500
Investment Property	26 388 200	-	26 388 200
Heritage Assets	1 618 055	-	1 618 055
Long-term Receivables	187 486	(187 486)	-
Non-Current Receivables from Exchange Transactions	-	160 768	160 768
Non-Current Receivables from Non-Exchange Transactions	-	26 718	26 718
Inventory	54 752	-	54 752
Receivables from exchange transactions	5 720 687	-	5 720 687
Receivables from non-exchange transactions	3 758 199	-	3 758 199
Unpaid Transfers and Subsidies	428	-	428
Taxes	1 581 783	-	1 581 783
Current Portion of Long-term Receivables	132 101	-	132 101
Cash and Cash Equivalents	785 850	-	785 850
		-	-

HANTAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Balance previously reported	Adjustments	Restated Balance
Statement of Financial Performance			
Property Rates	7 651 504	-	7 651 504
Government Grants and Subsidies	58 375 852	-	58 375 852
Actuarial Gains	327 568	-	327 568
Fines, Penalties and Forfeits	25 256	-	25 256
Service Charges	39 526 166	-	39 526 166
Sales of Goods and Rendering of Services	330 000	-	330 000
Rental from Fixed Assets	361 254	-	361 254
Interest Earned - external investments	712 526	-	712 526
Interest Earned - outstanding receivables	1 550 594	(1 550 594)	-
Interest Earned - Exchange Transactions	-	1 550 594	1 550 594
Licences and Permits	97	-	97
Agency Services	1 343 621	-	1 343 621
Operational Revenue	293 388	-	293 388
Employee related costs	(35 738 433)	(223 162)	(35 961 595)
Remuneration of Councillors	(2 720 101)	-	(2 720 101)
Bad Debts Written Off	(694 390)	-	(694 390)
Contracted Services	(8 705 861)	-	(8 705 861)
Depreciation and Amortisation	(7 386 094)	-	(7 386 094)
Actuarial Losses	(115 210)	-	(115 210)
Finance Costs	(2 845 603)	-	(2 845 603)
Bulk Purchases	(17 204 920)	270 626	(16 934 294)
Inventory Consumed	(981 612)	-	(981 612)
Operating Leases	(433 836)	-	(433 836)
Transfers and Subsidies	(246 712)	-	(246 712)
Operational Costs	(8 177 855)	223 162	(7 954 693)
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	284	-	284
Reversal of Impairment Loss/(Impairment Loss) on Receivables	(7 053 046)	-	(7 053 046)
Gains/(Loss) on Sale of Fixed Assets	(52 110)	-	(52 110)
Profit/(Loss) on Fair Value Adjustments	106 638	-	106 638
Water Losses	-	(270 626)	(270 626)
Net Surplus/(Deficit) for the year	18 248 964	-	18 248 964

**2018
R**

**2017
R**

44. CORRECTION OF ERROR IN TERMS OF GRAP 3

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP:

44.1 Property, Plant and Equipment

Balance previously reported	-	188 666 480
Cost	-	69 461 418
Retention of Infrastructure Assets not recognised in 2016/2017 - Note 2	-	2 364 975
IGRAP 2 Adjustment recognised incorrectly in 2016/2017 - Note 2	-	(35 115)
Other Assets recognised incorrectly in periods before 1 July 2016 - Note 2	-	5 288 275
Finance Lease Assets recognised incorrectly in periods before 1 July 2016 - Note 2	-	55 780
Community Assets recognised incorrectly in periods before 1 July 2016 - Note 2	-	10 081 417
Infrastructure Assets recognised incorrectly in periods before 1 July 2016 - Note 2	-	51 706 086
Accumulated Depreciation	-	(65 041 746)
Backlog Depreciation on Other Assets for periods before 1 July 2016 - Note 2	-	5 736 132
Backlog Depreciation on Finance Lease Assets for periods before 1 July 2016 - Note 2	-	(89 667)
Backlog Depreciation on Community Assets for periods before 1 July 2016 - Note 2	-	(2 526 018)
Backlog Depreciation on Infrastructure Assets for periods before 1 July 2016 - Note 2	-	(57 503 344)
Backlog Depreciation on Other Assets in 2016/2017 - Note 2	-	(9 345 583)
Backlog Depreciation on Finance Lease Assets in 2016/2017 - Note 2	-	37 097
Backlog Depreciation on Community Assets in 2016/2017 - Note 2	-	(97 165)
Backlog Depreciation on Infrastructure Assets in 2016/2017 - Note 2	-	(1 253 198)
Restated Balance	-	193 086 152

Reconstruction of Asset Register.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
44.2 Investment Property		
Balance previously reported	-	26 388 200
Investment Properties recognised incorrectly before 1 July 2016 - Note 4	-	10 388 856
Reversal of Fair Value Adjustment in 2016/2017 - Note 4	-	(106 638)
Restated Balance	-	36 670 418
Reconstructing of Asset Register.		
44.3 Intangible Assets		
Balance previously reported	-	-
Cost	-	725 218
Servitudes not recognised in periods before 1 July 2016 - Note 5	-	725 218
Restated Balance	-	725 218
Reconstructing of Asset Register.		
44.4 Heritage Assets		
Balance previously reported	-	1 618 055
Heritage Assets recognised incorrectly before 1 July 2016 - Note 6	-	(282 500)
Restated Balance	-	1 335 555
Reconstructing of Asset Register.		
44.5 Receivables from Non-Exchange Transactions		
Balance previously reported	-	3 758 199
Other Receivables not recognised in 2016/2017 - Note 11	-	1 490
Restated Balance	-	3 759 689
Sundry Receivables not recognised in prior year.		
44.6 Unpaid Transfers and Subsidies		
Balance previously reported	-	428
Repaid to National Revenue Fund recognised incorrectly in 2016/2017 - Note 18	-	(428)
Restated Balance	-	-
Repayment to National Revenue Fund recognised incorrectly in prior year.		
44.7 Non-Current Provisions		
Balance previously reported	-	27 396 896
IGRAP 2 Adjustment recognised incorrectly in 2016/2017 - Note 14	-	(35 115)
list movements	-	-
Restated Balance	-	27 361 781
Correction of IGRAP 2 adjustment.		
44.8 Trade and Other Payables from Exchange Transactions		
Balance previously reported	-	34 037 129
Payables not recognised in 2016/2017 - Note 18	-	2 430 028
Retention not recognised in 2016/2017 - Note 18	-	2 364 975
Unused Pre-paid Electricity not recognised in prior years - Note 18	-	182 546
Restated Balance	-	39 014 678
Correction of payables recognised incorrectly in prior years.		

HANTAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
44.9 Unspent Transfers and Subsidies		
Balance previously reported	-	35 937
Repaid to National Revenue Fund recognised incorrectly before 1 July 2016 - Note 18	-	(9 116)
Repaid to National Revenue Fund recognised incorrectly in 2016/2017 - Note 18	-	(821)
Restated Balance	-	26 000

Repayment to National Revenue Fund recognised incorrectly in prior year.

44.10 Accumulated Surplus/(Deficit) - 1 July 2016

Unused Pre-paid Electricity not recognised in periods before 1 July 2016 - Note 44.8	-	(181 313)
Repaid to National Revenue Fund recognised incorrectly before 1 July 2016 - Note 44.9	-	9 116
Investment Properties not recognised before 1 July 2016 - Note 44.2	-	10 388 856
Intangible Assets not recognised in periods before 1 July 2016 - Note 44.3	-	725 218
Heritage Assets recognised incorrectly before 1 July 2016 - Note 44.4	-	(282 500)
Other Assets recognised incorrectly in periods before 1 July 2016 - Note 44.1	-	5 288 275
Finance Lease Assets recognised incorrectly in periods before 1 July 2016 - Note 44.1	-	55 780
Community Assets recognised incorrectly in periods before 1 July 2016 - Note 44.1	-	10 081 417
Infrastructure Assets recognised incorrectly in periods before 1 July 2016 - Note 44.1	-	51 706 086
Backlog Depreciation on Other Assets for periods before 1 July 2016 - Note 44.1	-	5 736 132
Backlog Depreciation on Finance Lease Assets for periods before 1 July 2016 - Note 44.1	-	(89 667)
Backlog Depreciation on Community Assets for periods before 1 July 2016 - Note 44.1	-	(2 526 018)
Backlog Depreciation on Infrastructure Assets for periods before 1 July 2016 - Note 44.1	-	(57 503 344)
Total	-	23 408 038

44.11 Changes to Statement of Financial Performance

Movement on operating account as a result of GRAP standards not implemented in prior years:

	Note	Balance previously reported	Adjustments	Restated Balance
Revenue				
Property Rates		7 651 504	-	7 651 504
Surcharges and Taxes		-	-	-
Government Grants and Subsidies	44.9	58 375 852	(821)	58 375 031
Public Contributions and Donations		-	-	-
Contributed Property, Plant and Equipment		-	-	-
Actuarial Gains		327 568	-	327 568
Fines, Penalties and Forfeits		25 256	-	25 256
Interest Earned - Non-exchange Transactions		-	-	-
Licences and Permits from Non-Exchange Transactions		-	-	-
Service Charges		39 526 166	-	39 526 166
Sales of Goods and Rendering of Services		330 000	-	330 000
Rental from Fixed Assets		361 254	-	361 254
Interest Earned - External Investments		712 526	-	712 526
Interest Earned - Exchange Transactions		1 550 594	-	1 550 594
Licences and Permits from Exchange Transactions		97	-	97
Agency Services		1 343 621	-	1 343 621
Operational Revenue		293 388	-	293 388
Total		110 497 826	(821)	110 497 005

HANTAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Note	Balance previously reported	Adjustments	Restated Balance
Expenditure				
Employee related costs		(35 961 595)	-	(35 961 595)
Remuneration of Councillors		(2 720 101)	-	(2 720 101)
Bad Debts Written Off		(694 390)	-	(694 390)
Contracted Services	44.8	(8 705 861)	(397 675)	(9 103 536)
Depreciation and Amortisation	44.8	(7 386 094)	(10 658 849)	(18 044 944)
Actuarial Losses		(115 210)	-	(115 210)
Finance Costs		(2 845 603)	-	(2 845 603)
Bulk Purchases	44.8	(16 934 294)	(1 806)	(16 936 100)
Inventory Consumed	44.8	(981 612)	(447)	(982 059)
Operating Leases		(433 836)	-	(433 836)
Transfers and Subsidies		(246 712)	-	(246 712)
Operational Costs	44.8	(7 954 693)	(2 028 610)	(9 983 302)
Total		(84 980 002)	(13 087 388)	(98 067 390)
Gains and Losses				
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value		284	-	284
Reversal of Impairment Loss/(Impairment Loss) on Receivables		(7 053 046)	-	(7 053 046)
Gains/(Loss) on Sale of Fixed Assets		(52 110)	-	(52 110)
Profit/(Loss) on Fair Value Adjustments	44.2	106 638	(106 638)	-
Total		(7 268 860)	(106 638)	(7 375 498)
Net Surplus/(Deficit) for the year		18 248 964	(13 194 847)	5 054 117

45. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS

Surplus/(Deficit) for the year	66 647 142	5 054 117
Adjustments for:		
Depreciation and Amortisation	8 806 560	18 044 944
Loss/(Gain) on Sale of Fixed Assets	616 309	52 110
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	(318)	(284)
Government Grants and Subsidies received	120 800 000	56 933 427
Government Grants and Subsidies recognised as revenue	(115 165 037)	(58 375 031)
Contribution to provisions – Non-Current Provisions	1 580 796	1 647 934
Contribution from/to provisions - Non-Current Employee Benefits	4 512 066	822 925
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial losses	-	115 210
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial gains	(1 066 259)	(327 568)
Contribution from/to - Current Employee Benefits	124 230	420 723
Contribution to provisions – Bad Debt	(3 086 411)	7 053 046
Bad Debts written off	10 873 970	694 390
Operating Surplus/(Deficit) before changes in working capital	94 643 050	32 135 942
Changes in working capital	6 448 580	7 257 936
Trade and Other Payables from Exchange Transactions	14 720 475	18 862 783
Increase/(Decrease) in Taxes	(4 765 476)	(1 965 609)
(Increase)/Decrease in Inventory	(17 042)	12 850
(Increase)/Decrease in Receivables from Exchange Transactions	(4 949 720)	(7 391 491)
(Increase)/Decrease in Receivables from Non-Exchange Transactions	1 460 342	(2 260 598)
Cash generated/(absorbed) by operations	101 091 629	39 393 878

46. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Current Accounts - Note 12	752 859	715 181
Call Deposits and Investments - Note 12	6 646 445	69 168
Cash Floats - Note 12	1 500	1 500
Total cash and cash equivalents	7 400 803	785 850

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
47. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 46	7 400 803	785 850
Less:	(5 660 964)	(26 000)
Unspent Transfers and Subsidies - Note 18	(5 660 964)	(26 000)
Net cash resources available for internal distribution	1 739 840	759 850
Allocated to:		
Capital Replacement Reserve	-	-
Employee Benefits Reserve	-	-
Social Contribution Reserve	-	-
Non-Current Provisions Reserve	-	-
Valuation Reserve	-	-
Resources available for working capital requirements	1 739 840	759 850
48. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 13	350 773	505 438
Used to finance property, plant and equipment - at cost	(350 773)	(505 438)
	-	-
Cash set aside for the repayment of long-term liabilities		
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

49. BUDGET INFORMATION**49.1 Explanation of variances between approved and final budget amounts**

The reasons for the variances between the approved and final budgets are mainly due to virements, and the negative effect of the abnormal high electricity and solid waste tariff increases on consumer debtors, the decrease in the capital expenditure, and the reprioritising of capital projects, with the corresponding changes to funding sources.

Explanation of variances greater than 5%: Final Budget and Actual Amounts**49.2 Statement of Financial Position****49.2.1 Current Assets**

Cash

Unspent conditional Grant of Drought Relief at year end.

Consumer Debtors

Provision for Debt Impairment increased due to non payment of debtors.

Other Debtors

VAT owed by SARS to the Municipality.

Current Portion of long-term receivables

Part of Consumer debtors budget.

49.2.2 Non-Current Assets

Long-term Receivables

Part of Consumer debtors budget.

Investment Property

Reconstructing of Asset Register.

Property, Plant and Equipment

Reconstructing of Asset Register.

Intangible Assets

Reconstructing of Asset Register.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

49.2.3 Current Liabilities

Borrowing

Lease asset would have been acquired but would have put a huge financial strain on the municipality, therefore no leases were acquired in the financial year.

Consumer Deposits

Hall Deposits included as Deposits due to mSCOA conversion

Trade and Other Payables

Increase in Year end Creditors Retention and inclusion of Department of Transport, Safety and Liaison

Provisions

Increase and salaries as well as new appointments

49.2.4 Non-Current Liabilities

Borrowing

Lease asset would have been acquired but would have put a huge financial strain on the municipality, therefore no leases were acquired in the financial year.

Statement of Financial Performance

49.2.6 Revenue

Service Charges - Electricity Revenue

Decrease due to current economic climate and drought.

Service Charges - Water Revenue

Decrease due to current economic climate and drought.

Service Charges - Sanitation Revenue

Decrease due to current economic climate and drought.

Service Charges - Refuse Revenue

Decrease due to current economic climate and drought.

Rental of Facilities and Equipment

Comonage not rented out as anticipated.

Interest Earned - External Investments

Grant funding (RBIG and MIG) invested during course of project.

Interest Earned - Outstanding Debtors

Write-off of debtors during the year.

Fines

Increase in fine income received.

Licences and Permits

Decrease in licences issued.

Agency Services

Function transferred to Post Office by the Department of Transport, Safety and Liaison

49.2.7 Expenditure

Debt Impairment

Debtors written-off during the year.

Depreciation and Asset Impairment

Reconstructing of Asset Register.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Other Materials

EPWP expenditure budgeted under other materials.

Other Expenditure

*Bad Debts written-off during the year.***Cash Flow Statement****49.2.8 Net Cash from Operating Activities**

Service Charges

Decrease due to current economic climate and drought.

Interest

Grant funding (RBIG and MIG) invested during course of project.

Suppliers and Employees

Municipality tried cost cutting and savings throughout the financial year.

Transfers and Grants

*Unspent drought Relief funding.***49.2.9 Net Cash from Investing Activities**

Decrease/(Increase) in Non-Current Debtors

Capital Assets

Completion of construction projects.

	2018 R	2017 R
50. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
50.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure:		
Opening balance	24 270 989	2 384 975
Unauthorised expenditure current year - operational	13 217 466	8 653 317
Unauthorised expenditure current year - capital	2 934 657	15 617 671
Approved by Council on	(24 270 988)	(2 384 975)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	16 152 123	24 270 989

Unauthorised expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
Over expenditure of 2017 approved budget - Operating	None	-	8 653 317
Over expenditure of 2017 approved budget - Capital	None	-	15 617 671
Over expenditure of 2018 approved budget - Operating	None	13 217 466	-
Over expenditure of 2018 approved budget - Capital	None	2 934 657	-
		16 152 123	24 270 989

HANTAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 Actual R	2018 Final Budget R	2018 Variance R	2018 Unauthorised R
<u>Unauthorised expenditure current year - operating</u>				
Executive and Council	11 804 735	10 551 375	1 253 360	1 253 360
Budget and Treasury Office	10 225 961	11 081 789	(855 828)	-
Corporate Services	8 396 580	9 043 046	(646 466)	-
Community and Social Services	2 114 456	2 708 236	(593 780)	-
Sport and Recreation	894 054	1 084 235	(190 180)	-
Public Safety	51 715	102 892	(51 177)	-
Planning and Development	931 689	951 947	(20 258)	-
Road Transport	7 961 632	7 278 380	683 253	683 253
Electricity	27 357 631	26 606 840	750 791	750 791
Water	16 626 845	9 124 048	7 502 796	7 502 796
Waste Water Management	5 544 634	4 288 056	1 256 578	1 256 578
Solid Waste	13 713 661	11 942 973	1 770 687	1 770 687
Other	84 237	788 750	(704 513)	-
Environmental Health	-	-	-	-
	105 707 831	95 552 567	10 155 264	13 217 466

	2018 Actual R	2018 Final Budget R	2018 Variance R	2018 Unauthorised R
<u>Unauthorised expenditure current year - capital</u>				
Executive and Council	-	3 039 816	(3 039 816)	-
Budget and Treasury Office	52 306	100 000	(47 694)	-
Corporate Services	173 203	175 000	(1 797)	-
Community and Social Services	50 897	120 000	(69 103)	-
Sport and Recreation	5 973 929	6 867 000	(893 071)	-
Public Safety	-	-	-	-
Planning and Development	-	-	-	-
Road Transport	2 685 559	3 469 482	(783 923)	-
Electricity	1 090 291	1 000 000	90 291	90 291
Water	80 770 366	77 926 000	2 844 366	2 844 366
Waste Water Management	6 022 700	6 629 518	(606 818)	-
Solid Waste	-	-	-	-
Other	-	-	-	-
Environmental Health	-	-	-	-
	96 819 251	99 326 816	(2 507 564)	2 934 657

50.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	862 560	805 560
Fruitless and wasteful expenditure current year	-	57 000
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	862 560	862 560

Fruitless and wasteful expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
<i>An amount of R775 000 paid to the previous municipal manager as a result of a settlement agreement.</i>	<i>None</i>	775 000	775 000
<i>An overpayment made to S.Domburg on retirement.</i>	<i>None</i>	7 005	7 005
<i>An overpayment made to K.Fourie on retirement.</i>	<i>None</i>	23 555	23 555
<i>An amount of R57 000 paid to Blaauw Leadership & Business Institute for services not delivered to the municipality.</i>	<i>None</i>	57 000	57 000
		862 560	862 560

HANTAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
50.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	37 512 484	2 569 772
Irregular expenditure current year	81 874 475	36 653 713
Expenditure authorised i.t.o. Section 32 of MFMA	-	-
Condonement supported by council	(109 924 402)	(1 711 001)
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting further action	9 462 557	37 512 484

Irregular expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
Non compliance with SCM Regulations	None	2 997 646	2 997 646
Competitive bidding process not followed.	None	6 464 911	34 514 838
		9 462 557	37 512 484

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

Further instances of Irregular Expenditure that might have resulted from non-compliance with the supply chain management processes are under investigation to determine the full extent of the amount. These expenditure can be summarised as follows:

Incident	Disciplinary steps/criminal proceedings		
BAC composition not in line with SCM regulation	None	5 926 077	
Non compliance with SCM Regulations	None	9 958 929	
		15 885 006	-

51. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

51.1 Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA CONTRIBUTIONS)

Opening balance	1 978 000	1 728 000
Council subscriptions	500 000	500 000
Amount paid - current year	(500 000)	(250 000)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	1 978 000	1 978 000

51.2 Audit fees - [MFMA 125 (1)(c)]

Opening balance	2 767 760	1 500 306
Current year audit fee	1 216 559	2 467 453
External Audit - Auditor-General	1 216 559	2 467 453
Internal Audit	-	-
Audit Committee	-	-
Amount paid - current year	(1 200 000)	(1 200 000)
Amount paid - previous year	(629 400)	-
Balance unpaid (included in creditors)	2 154 919	2 767 760

51.3 VAT - [MFMA 125 (1)(c)]

Opening balance	2 279 251	1 328 881
Amounts claimed - current year	10 454 727	3 430 066
Amounts received - previous year	(1 032 719)	(2 268 747)
Amounts received - current year	(8 787 918)	-
Amount paid - current year	928 637	5 639
Corrections	(622 239)	(216 588)
Closing balance	3 219 738	2 279 251

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

HANTAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
51.4 PAYE and UIF - [MFMA 125 (1)(c)]		
Opening balance	-	-
Current year payroll deductions	4 415 423	4 307 467
Amount paid - current year	(4 415 423)	(4 307 467)
Balance unpaid (included in creditors)	-	-

51.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	7 941 664	7 376 992
Amount paid - current year	(7 941 664)	(7 376 992)
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	-	-

51.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]

The following Councillors had arrear accounts for more than 90 days as at 30 June 2018:

**Outstanding
more than 90
days**

FJ Sterkse 3 734

51.7 Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b)

	<u>Type of Deviation</u>				
	Amount	Single Supplier	Impossible	Impractical	Emergency
July	9 750	3	-	1	-
August	38 620	1	-	1	4
September	23 949	3	-	1	1
October	214 063	5	1	4	14
November	94 019	1	-	2	5
December	85 678	2	-	2	6
January	90 806	1	-	1	2
February	253 301	7	-	2	9
March	143 297	3	-	2	5
April	233 596	6	1	-	7
May	81 576	4	-	2	4
June	195 822	13	-	2	9
	1 464 477	46	2	19	66

	2018 R	2017 R
Reconciliation of SCM Deviations:		
Opening balance	454 760	121 907
Deviations from SCM current year	1 414 577	3 244 584
Approved in terms of Regulation 36(1)(a) and (b)	(1 414 577)	(2 911 730)
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting further action	454 760	454 760

51.8 Material losses

Electricity distribution losses

Percentage lost during distribution	12.46%	13.65%
Distribution loss (Rand Value)	3 348 314	3 584 826

Electricity losses is due to electricity theft on pre-paid meters.

Water distribution losses

Percentage lost during distribution	11.16%	28.10%
Distribution loss (Rand Value)	781 188	2 711 673

Normal pipe bursts and field leakages are responsible for water losses.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

52. FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price Risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:

	2018 R	2017 R
1% (2017: 1%) Increase in interest rates	70 485	2 789
1% (2017: 1%) Decrease in interest rates	(70 485)	(2 789)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

All rates and services are payable within 30 days from invoice date. Refer to note 10 and 11 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 7 and note 8 for balances included in receivables that were re-negotiated for the period under review.

HANTAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 %	2018 R	2017 %	2017 R
<u>Non-Current Receivables</u>				
Rates and Services	100.00%	225 618	100.00%	319 587
<u>Non-exchange Receivables</u>				
Rates	100.00%	10 637 188	100.00%	10 053 256
<u>Exchange Receivables</u>				
Electricity	14.87%	5 026 452	14.42%	5 728 693
Water	29.25%	9 888 432	34.17%	13 574 476
Waste Management	22.23%	7 513 681	24.94%	9 908 056
Waste Water Management	14.27%	4 824 114	17.72%	7 038 803
Other	19.39%	6 553 388	8.76%	3 480 291
	100.00%	33 806 069	100.00%	39 730 319

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 10 and 11 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of receivables as follow:

	2018 %	2018 R	2017 %	2017 R
<u>Non-Current Receivables</u>				
Repay Arrangements	0.00%	-	0.00%	-
<u>Non-exchange Receivables</u>				
Rates	23.07%	9 120 394	20.19%	8 605 708
<u>Exchange Receivables</u>				
Services	76.93%	30 408 535	79.81%	34 009 632
	100.00%	39 528 930	100.00%	42 615 340

	Exchange Receivables	Non-exchange Receivables
<u>Ageing of amounts past due but not impaired are as follow:</u>		
2018		
1 month past due	-	213 917
2+ months past due	-	554 199
	-	768 116
2017		
1 month past due	2 184 629	218 534
2+ months past due	-	715 291
	2 184 629	933 825

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (ABSA Bank Limited). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (ABSA Bank and Standard Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

	2018 R	2017 R
Financial assets exposed to credit risk at year end are as follows:		
Non-Current Receivables from Exchange Transactions	187 063	274 043
Non-Current Receivables from Non-Exchange Transactions	38 555	45 544
Receivables from exchange transactions	33 806 069	39 730 319
Receivables from non-exchange transactions	10 905 055	12 365 397
Cash and Cash Equivalents	7 399 303	784 350
	<u>52 336 045</u>	<u>53 199 653</u>

(e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2018				
Long-term Liabilities	236 820	177 615	-	-
Trade and Other Payables	53 735 153	-	-	-
	<u>53 971 973</u>	<u>177 615</u>	<u>-</u>	<u>-</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2017				
Long-term Liabilities	236 820	414 435	-	-
Trade and Other Payables	39 014 678	-	-	-
	<u>39 251 498</u>	<u>414 435</u>	<u>-</u>	<u>-</u>

HANTAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2018 R	2017 R
53. FINANCIAL INSTRUMENTS			
In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as follows:			
53.1 Financial Assets	Classification		
Non-Current Receivables			
Receivables with repay arrangements - Services	Financial Instruments at amortised cost	187 063	274 043
Receivables from Exchange Transactions			
Electricity	Financial Instruments at amortised cost	5 026 452	5 728 693
Water	Financial Instruments at amortised cost	9 888 432	13 574 476
Waste Management	Financial Instruments at amortised cost	7 513 681	9 908 056
Waste Water Management	Financial Instruments at amortised cost	4 824 114	7 038 803
Other Arrears	Financial Instruments at amortised cost	6 553 388	3 480 291
Cash and Cash Equivalents			
Bank Balances	Financial Instruments at amortised cost	752 859	715 181
Call Deposits	Financial Instruments at amortised cost	6 646 445	69 168
Total Financial Assets		41 392 436	40 788 712
Financial Instruments at amortised cost:			
Long-term Receivables	Receivables with repay arrangements - Services	187 063	274 043
Receivables from Exchange Transactions	Electricity	5 026 452	5 728 693
Receivables from Exchange Transactions	Water	9 888 432	13 574 476
Receivables from Exchange Transactions	Waste Management	7 513 681	9 908 056
Receivables from Exchange Transactions	Waste Water Management	4 824 114	7 038 803
Receivables from Exchange Transactions	Other Arrears	6 553 388	3 480 291
Cash and Cash Equivalents	Bank Balances	752 859	715 181
Cash and Cash Equivalents	Call Deposits	6 646 445	69 168
		41 392 436	40 788 712
Total Financial Assets		41 392 436	40 788 712
53.2 Financial Liabilities	Classification		
Long-term Liabilities			
Capitalised Lease Liability	Financial Instruments at amortised cost	350 773	505 438
Trade and Other Payables			
Trade Payables	Financial Instruments at amortised cost	22 287 649	15 775 667
Advance Payments	Financial Instruments at amortised cost	713 646	757 758
Control, Clearing and Interface Accounts	Financial Instruments at amortised cost	100	-
Other Payables	Financial Instruments at amortised cost	4 687 044	3 003 978
Retentions	Financial Instruments at amortised cost	10 431 582	314 062
		38 470 794	20 356 904
SUMMARY OF FINANCIAL LIABILITIES			
Financial instruments at amortised cost:			
Long-term Liabilities	Capitalised Lease Liability	350 773	505 438
Trade and Other Payables	Trade Payables	22 287 649	15 775 667
Trade and Other Payables	Advance Payments	713 646	757 758
Trade and Other Payables	Control, Clearing and Interface Accounts	100	-
Trade and Other Payables	Other Payables	4 687 044	3 003 978
Trade and Other Payables	Retentions	10 431 582	314 062
		38 470 794	20 356 904

HANTAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
54. STATUTORY RECEIVABLES		
In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:		
Taxes		
VAT Receivable	7 960 867	3 337 703
Receivables from Non-Exchange Transactions	10 637 188	10 053 256
Rates	10 637 188	10 053 256
Total Statutory Receivables (before provision)	18 598 055	13 390 959
Less: Provision for Debt Impairment	(9 120 394)	(8 605 708)
Total Statutory Receivables (after provision)	9 477 661	4 785 251
Reconciliation of Provision for Debt Impairment		
Balance at beginning of year	8 605 708	7 240 660
Contribution to provision	514 686	1 365 048
Reversal of provision	-	-
Balance at end of year	9 120 394	8 605 708
Ageing of amounts past due but not impaired:		
1 month past due	213 917	218 534
2+ months past due	554 199	715 291
	768 116	933 825

55. IN-KIND DONATIONS AND ASSISTANCE

The Northern Cape: Provincial Treasury has assisted the municipality with asset management related services during the year. These services does not meet the recognition criteria in terms of GRAP 23, and are therefore only disclosed in the financial statements. The estimate value of the services amount to R1 574 000.

56. PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

57. CONTINGENT LIABILITY

The municipality is not currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions.

58. RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

58.1 Related Party Transactions

	Rates	Service Charges	Other	Outstanding Balance
Year ended 30 June 2018				
Councillors				
JE Steenkamp	-	502	-	502
G Opperman	37	698	18	753
HC Steenkamp	-	-	6 860	6 860
AJE Claasen	-	3 734	2 038	5 771
K Alexander	-	-	308	308
RN Swartz	108	425	-	533
	146	5 358	9 224	14 728
Municipal Manager and Section 57 Employees				
JI Swartz	-	283	-	283
S Tsengiwe	-	-	62	62
JR van Wyk	496	334	-	830
	496	617	62	1 175

HANTAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Rates	Service Charges	Other	Outstanding Balance
Year ended 30 June 2017				
Councillors				
JE Steenkamp	-	5 338	132	5 470
G Opperman	422	12 596	942	13 959
HC Steenkamp	-	-	5 680	5 680
AJE Claasen	784	5 245	276	6 305
FJ Sterkse	-	5 572	2 316	7 887
K Alexander	-	4 522	1 033	5 555
RN Swartz	961	4 462	-	5 423
	2 167	37 735	10 378	50 280
Municipal Manager and Section 57 Employees				
S Tsengiwe	-	-	62	62
JR van Wyk	5 623	4 468	47	10 138
	5 623	4 468	109	10 200

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

58.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 30 to the Annual Financial Statements.

59. FINANCIAL SUSTAINABILITY

Management is of the opinion that will municipality will continue to operate as a going concern and perform its functions as set out in the Constitution.

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

The extremely high cost associated with the Delivery of Basic Services and Infrastructure needs to communities due to the vast distances between several settlements coupled with the social-economic profile (high unemployment rate) of Hantam communities resulted in a serious risk for Hantam Municipality's going concern.

Unless sustainable job creation is achieved, Hantam Municipality will not be able to function as a going concern without Government Grants and Subsidies.

The municipality is experience difficulty to settle its current liabilities as its net current asset position is insufficient. The current liabilities exceeds the current assets with R 46 563 648 (2017: R31 773 676).

In spite of aforementioned, management has prepared the Annual Financial Statements on the Going

60. EVENTS AFTER REPORTING PERIOD

No events after the reporting date were identified by management that will effect the operations of the municipality or the results of those operations significantly.

HANTAM MUNICIPALITY - Reconciliation of Table A1 Budget Summary

Description	2017/18								2016/17			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
R thousands												
Financial Performance												
Property rates	8 116	272	8 388	8 388		0	100.0%	103.3%				7 652
Service charges	49 456	354	49 809	38 850		10 960	78.0%	78.6%				39 526
Investment revenue	–	–	–	1 072		(1 072)	#DIV/0!	#DIV/0!				713
Transfers recognised - operational	25 184	–	25 184	25 184		–	100.0%	100.0%				25 427
Other own revenue	5 794	(475)	5 319	4 475		844	84.1%	77.2%				4 338
Total Revenue (excluding capital transfers and contributions)	88 551	150	88 701	77 969		10 732	87.9%	88.1%				77 656
Employee costs	37 351	680	38 031	38 847	–	(816)	102.1%	104.0%	–	–	–	35 738
Remuneration of councillors	2 918	112	3 031	3 032	–	(1)	100.0%	103.9%	–	–	–	2 720
Debt impairment	3 179	–	3 179	(2 617)	–	5 796	-82.3%	-82.3%	–	–	–	7 747
Depreciation & asset impairment	5 421	–	5 421	8 997	–	(3 576)	166.0%	166.0%	–	–	–	61 446
Finance charges	3 207	–	3 207	2 787	–	420	86.9%	86.9%	–	–	–	2 846
Materials and bulk purchases	23 455	548	24 003	22 238	–	1 765	92.6%	94.8%	–	–	–	18 189
Transfers and grants	273	–	273	4	–	269	1.6%	1.6%	–	–	–	247
Other expenditure	19 006	(597)	18 409	29 803	–	(11 394)	161.9%	156.8%	–	–	–	19 859
Total Expenditure	94 809	744	95 553	103 091	–	(7 538)	107.9%	108.7%	–	–	–	148 792
Surplus/(Deficit)	(6 258)	(593)	(6 852)	(25 122)		18 270	366.7%	401.4%				(71 136)
Transfers recognised - capital	–	–	–	89 981		(89 981)	#DIV/0!	#DIV/0!				32 948
Contributions recognised - capital & contributed assets	–	–	–	–		–	#DIV/0!	#DIV/0!				–
Surplus/(Deficit) after capital transfers & contributions	(6 258)	(593)	(6 852)	64 859		(71 711)	-946.6%	-1036.4%				(38 188)
Share of surplus/ (deficit) of associate	–	–	–	–		–	#DIV/0!	#DIV/0!				–
Surplus/(Deficit) for the year	(6 258)	(593)	(6 852)	64 859		(71 711)	-946.6%	-1036.4%				(38 188)
Capital expenditure & funds sources												
Capital expenditure												
Transfers recognised - capital	72 142	23 500	95 642	96 718		(1 076)	101.1%	134.1%				38 812
Public contributions & donations	–	–	–	–		–	#DIV/0!	#DIV/0!				–
Borrowing	3 040	–	3 040	–		3 040	0.0%	0.0%				484
Internally generated funds	395	250	645	511		134	79.2%	129.3%				186
Total sources of capital funds	75 577	23 750	99 327	97 228		2 098	97.9%	128.6%				39 482
Cash flows												
Net cash from (used) operating	76 236	14 530	90 766	101 092		–	111.4%	132.6%				39 394
Net cash from (used) investing	(72 537)	–	(72 537)	(94 401)		–	130.1%	130.1%				(39 100)
Net cash from (used) financing	(514)	–	(514)	(76)		–	14.8%	14.8%				(46)
Cash/cash equivalents at the year end	4 000	14 530	18 530	7 401		–	39.9%	185.0%				786

HANTAM MUNICIPALITY - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2017/18								2016/17			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand												
	1	2	3	4	5	6	7	8	9	10	11	12
Revenue - Standard												
Governance and administration	27 502	(119)	27 382	29 763		(2 380)	108.7%	108.2%				25 947
Executive and council	1 902	–	1 902	1 902		–	100.0%	100.0%				14 996
Finance and administration	25 600	(119)	25 480	27 861		(2 380)	109.3%	108.8%				10 950
Internal audit	–	–	–	–		–	#DIV/0!	#DIV/0!				–
Community and public safety	11 218	6	11 224	8 249		2 975	73.5%	73.5%				2 035
Community and social services	1 318	16	1 334	1 329		5	99.6%	100.9%				1 792
Sport and recreation	9 900	(10)	9 890	6 919		2 971	70.0%	69.9%				242
Public safety	–	–	–	–		–	#DIV/0!	#DIV/0!				–
Housing	–	–	–	–		–	#DIV/0!	#DIV/0!				–
Health	–	–	–	–		–	#DIV/0!	#DIV/0!				2
Economic and environmental services	3 233	(90)	3 143	4 493		(1 350)	143.0%	139.0%				13 366
Planning and development	–	–	–	–		–	#DIV/0!	#DIV/0!				–
Road transport	3 142	–	3 142	4 493		(1 350)	143.0%	143.0%				13 366
Environmental protection	90	(90)	0	–		0	0.0%	0.0%				–
Trading services	118 740	23 854	142 594	129 851		12 743	91.1%	109.4%				69 202
Electricity	29 526	–	29 526	27 294		2 232	92.4%	92.4%				25 316
Water	67 201	23 805	91 006	82 511		8 495	90.7%	122.8%				31 308
Waste water management	12 578	49	12 627	12 126		501	96.0%	96.4%				7 609
Waste management	9 435	–	9 435	7 920		1 515	83.9%	83.9%				4 969
Other	–	–	–	–		–	#DIV/0!	#DIV/0!				–
Total Revenue - Standard	160 693	23 650	184 343	172 355		11 988	93.5%	107.3%				110 550

HANTAM MUNICIPALITY - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2017/18								2016/17			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand												
	1	2	3	4	5	6	7	8	9	10	11	12
Expenditure - Standard												
<i>Governance and administration</i>	29 457	195	29 653	29 398	–	255	99.1%	99.8%	–	–	–	39 809
Executive and council	10 520	32	10 551	11 751	–	(1 199)	111.4%	111.7%	–	–	–	10 542
Finance and administration	17 038	164	17 201	15 829	–	1 372	92.0%	92.9%	–	–	–	29 267
Internal audit	1 900	–	1 900	1 818	–	82	95.7%	95.7%	–	–	–	–
<i>Community and public safety</i>	3 838	8	3 846	3 027	–	819	78.7%	78.9%	–	–	–	3 685
Community and social services	2 789	22	2 811	2 166	–	645	77.1%	77.7%	–	–	–	2 733
Sport and recreation	1 049	(15)	1 035	861	–	174	83.2%	82.0%	–	–	–	735
Public safety	–	–	–	–	–	–	#DIV/0!	#DIV/0!	–	–	–	36
Housing	–	–	–	–	–	–	#DIV/0!	#DIV/0!	–	–	–	–
Health	–	–	–	–	–	–	#DIV/0!	#DIV/0!	–	–	–	182
<i>Economic and environmental services</i>	9 049	254	9 303	9 956	–	(653)	107.0%	110.0%	–	–	–	8 179
Planning and development	1 549	426	1 975	1 961	–	14	99.3%	126.6%	–	–	–	616
Road transport	7 451	(172)	7 278	7 962	–	(683)	109.4%	106.9%	–	–	–	7 563
Environmental protection	49	–	49	33	–	16	67.3%	67.3%	–	–	–	–
<i>Trading services</i>	52 356	279	52 635	63 243	–	(10 607)	120.2%	120.8%	–	–	–	53 779
Electricity	26 255	352	26 607	27 358	–	(751)	102.8%	104.2%	–	–	–	25 138
Water	9 222	(98)	9 124	16 627	–	(7 503)	182.2%	180.3%	–	–	–	9 526
Waste water management	4 899	63	4 962	5 545	–	(583)	111.8%	113.2%	–	–	–	15 519
Waste management	11 980	(37)	11 943	13 714	–	(1 771)	114.8%	114.5%	–	–	–	3 596
<i>Other</i>	108	8	115	84	–	31	73.1%	78.2%	–	–	–	42
Total Expenditure - Standard	94 809	744	95 553	105 708	–	(10 155)	110.6%	111.5%	–	–	–	105 495
Surplus/(Deficit) for the year	65 884	22 907	88 790	66 647	–	22 143	75.1%	101.2%	–	–	–	5 054

HANTAM MUNICIPALITY - Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2017/18								2016/17			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand												
	1	2	3	4	5	6	7	8	9	10	11	12
Revenue by Vote												
Vote 1 - Executive and Council	1 902	–	1 902	1 902		–	100.0%	100.0%				2 174
Vote 2 - Budget and Treasury Office	11 502	(229)	11 273	13 122		(1 849)	116.4%	114.1%				10 604
Vote 3 - Corporate Services	14 017	110	14 127	14 689		(561)	104.0%	104.8%				13 316
Vote 4 - Community and Social Services	1 318	16	1 334	1 329		5	99.6%	100.9%				1 755
Vote 5 - Sport and Recreation	9 990	(100)	9 890	6 919		2 971	70.0%	69.3%				275
Vote 6 - Public Safety	–	–	–	–		–	#DIV/0!	#DIV/0!				–
Vote 7 - Planning and Development	–	–	–	–		–	#DIV/0!	#DIV/0!				–
Vote 8 - Road Transport	3 142	–	3 142	4 493		(1 350)	143.0%	143.0%				12 779
Vote 9 - Electricity	29 526	–	29 526	27 294		2 232	92.4%	92.4%				26 285
Vote 10 - Water	67 201	23 805	91 006	82 511		8 495	90.7%	122.8%				30 779
Vote 11 - Waste Water Management	12 578	49	12 627	12 126		501	96.0%	96.4%				5 403
Vote 12 - Solid Waste	9 435	–	9 435	7 920		1 515	83.9%	83.9%				7 083
Vote 13 - Other	–	–	–	–		–	#DIV/0!	#DIV/0!				–
Vote 14 - Environmental Health	80	–	80	50		30	62.7%	62.7%				95
Total Revenue by Vote	160 693	23 650	184 343	172 355		11 988	93.5%	107.3%				110 550
Expenditure by Vote to be appropriated												
Vote 1 - Executive and Council	10 520	32	10 551	11 805	1 253	–	0.0%	0.0%	3 111	–	–	12 403
Vote 2 - Budget and Treasury Office	10 585	497	11 082	10 226	–	–	0.0%	0.0%	694	–	–	20 448
Vote 3 - Corporate Services	9 376	(333)	9 043	8 397	–	–	0.0%	0.0%	–	–	–	6 653
Vote 4 - Community and Social Services	2 686	22	2 708	2 114	–	–	0.0%	0.0%	–	–	–	2 885
Vote 5 - Sport and Recreation	1 099	(15)	1 084	894	–	–	0.0%	0.0%	–	–	–	793
Vote 6 - Public Safety	103	–	103	52	–	–	0.0%	0.0%	–	–	–	36
Vote 7 - Planning and Development	526	426	952	932	–	–	0.0%	0.0%	–	–	–	616
Vote 8 - Road Transport	7 451	(172)	7 278	7 962	683	–	0.0%	0.0%	–	–	–	7 336
Vote 9 - Electricity	26 255	352	26 607	27 358	751	–	0.0%	0.0%	–	–	–	24 304
Vote 10 - Water	9 222	(98)	9 124	16 627	7 503	–	0.0%	0.0%	229	–	–	10 284
Vote 11 - Waste Water Management	4 225	63	4 288	5 545	1 257	–	0.0%	0.0%	–	–	–	3 220
Vote 12 - Solid Waste	11 980	(37)	11 943	13 714	1 771	–	0.0%	0.0%	3 432	–	–	14 775
Vote 13 - Other	781	8	789	84	–	–	0.0%	0.0%	1 005	–	–	1 559
Vote 14 - Environmental Health	–	–	–	–	–	–	0.0%	0.0%	182	–	–	182
Total Expenditure by Vote	94 809	744	95 553	105 708	13 217	(10 155)	110.6%	111.5%	8 653	–	–	105 495
Surplus/(Deficit) for the year	65 884	22 907	88 790	66 647		22 143	75.1%	101.2%				

HANTAM MUNICIPALITY - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2017/18								2016/17			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Revenue By Source												
Property rates	8 116	272	8 388	8 388		0	100.0%	103.3%				7 652
Service charges - electricity revenue	26 701	–	26 701	22 768		3 933	85.3%	85.3%				21 384
Service charges - water revenue	10 034	305	10 339	6 982		3 357	67.5%	69.6%				8 129
Service charges - sanitation revenue	6 156	49	6 205	4 412		1 793	71.1%	71.7%				4 909
Service charges - refuse revenue	6 565	–	6 565	4 688		1 876	71.4%	71.4%				4 969
Service charges - other	–	–	–	–		–	#DIV/0!	#DIV/0!				136
Rental of facilities and equipment	1 020	15	1 035	350		685	33.8%	34.3%				361
Interest earned - external investments	–	–	–	1 072		(1 072)	#DIV/0!	#DIV/0!				713
Interest earned - outstanding debtors	2 288	(401)	1 886	1 136		751	60.2%	49.6%				1 551
Dividends received	–	–	–	–		–	#DIV/0!	#DIV/0!				–
Fines	33	–	33	50		(17)	151.4%	151.4%				25
Licences and permits	1	–	1	1		0	59.7%	59.7%				0
Agency services	768	–	768	926		(157)	120.5%	120.5%				1 344
Transfers recognised - operational	25 184	–	25 184	25 184		–	100.0%	100.0%				25 427
Other revenue	1 684	(89)	1 595	2 013		(419)	126.2%	119.6%				1 058
Gains on disposal of PPE	–	–	–	–		–	#DIV/0!	#DIV/0!				–
Total Revenue (excluding capital transfers and contributions)	88 551	150	88 701	77 969.051		10 732	87.9%	88.1%				77 656
Expenditure By Type												
Employee related costs	37 351	680	38 031	38 847	–	(816)	102.1%	104.0%	–	–	–	35 738
Remuneration of councillors	2 918	112	3 031	3 032	–	(1)	100.0%	103.9%	–	–	–	2 720
Debt impairment	3 179	–	3 179	(2 617)	–	5 796	-82.3%	-82.3%	–	–	–	7 747
Depreciation & asset impairment	5 421	–	5 421	8 997	–	(3 576)	166.0%	166.0%	–	–	–	61 446
Finance charges	3 207	–	3 207	2 787	–	420	86.9%	86.9%	–	–	–	2 846
Bulk purchases	22 062	500	22 562	20 464	–	2 098	90.7%	92.8%	–	–	–	17 207
Other materials	1 393	48	1 441	1 773	–	(332)	123.1%	127.3%	–	–	–	982
Contracted services	9 981	(1 363)	8 618	11 400	–	(2 781)	132.3%	114.2%	–	–	–	9 104
Transfers and grants	273	–	273	4	–	269	1.6%	1.6%	–	–	–	247
Other expenditure	9 024	766	9 790	18 403	–	(8 613)	188.0%	203.9%	–	–	–	10 755
Loss on disposal of PPE	–	–	–	(1 788)	–	1 788	#DIV/0!	#DIV/0!	–	–	–	52
Total Expenditure	94 809	744	95 553	101 302.945	–	(5 750)	106.0%	106.8%	–	–	–	148 844

HANTAM MUNICIPALITY - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description R thousand	2017/18								2016/17			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Surplus/(Deficit)	(6 258)	(593)	(6 852)	(23 334)		16 482	340.6%	372.9%				(71 188)
Transfers recognised - capital	–	–	–	89 981		(89 981)	#DIV/0!	#DIV/0!				32 948
Contributions recognised - capital	–	–	–	–		–	#DIV/0!	#DIV/0!				–
Contributed assets	–	–	–	–		–	#DIV/0!	#DIV/0!				–
Surplus/(Deficit) after capital transfers & contributions	(6 258)	(593)	(6 852)	66 647		(73 499)	-972.7%	-1065.0%				(38 240)
Taxation	–	–	–	–		–	#DIV/0!	#DIV/0!				–
Surplus/(Deficit) after taxation	(6 258)	(593)	(6 852)	66 647		(73 499)	-972.7%	-1065.0%				(38 240)
Attributable to minorities	–	–	–	–		–	#DIV/0!	#DIV/0!				–
Surplus/(Deficit) attributable to municipality	(6 258)	(593)	(6 852)	66 647		(73 499)	-972.7%	-1065.0%				(38 240)
Share of surplus/ (deficit) of associate	–	–	–	–		–	#DIV/0!	#DIV/0!				–
Surplus/(Deficit) for the year	(6 258)	(593)	(6 852)	66 647		(73 499)	-972.7%	-1065.0%				(38 240)

HANTAM MUNICIPALITY - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	2017/18								2016/17			
	Original Budget	Total Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Capital expenditure - Vote												
Multi-year expenditure												
Vote 1 - Executive and Council	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 2 - Budget and Treasury Office	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 3 - Corporate Services	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 4 - Community and Social Services	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 5 - Sport and Recreation	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 6 - Public Safety	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 7 - Planning and Development	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 8 - Road Transport	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 9 - Electricity	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 10 - Water	50 426	23 500	73 926	76 955	3 029	(3 029)	104%	153%	-	-	-	27 205
Vote 11 - Waste Water Management	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 12 - Solid Waste	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 13 - Other	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 14 - Environmental Health	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Capital multi-year expenditure	50 426	23 500	73 926	76 955	3 029	(3 029)	104%	153%	-	-	-	27 205
Single-year expenditure												
Vote 1 - Executive and Council	3 040	-	3 040	-	-	3 040	0%	0%	-	-	-	-
Vote 2 - Budget and Treasury Office	100	-	100	52	-	48	52%	52%	-	-	-	186
Vote 3 - Corporate Services	175	-	175	173	-	2	99%	99%	-	-	-	110
Vote 4 - Community and Social Services	120	-	120	51	-	69	42%	42%	-	-	-	167
Vote 5 - Sport and Recreation	6 867	-	6 867	5 974	-	893	87%	87%	-	-	-	-
Vote 6 - Public Safety	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 7 - Planning and Development	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 8 - Road Transport	3 219	250	3 469	2 686	-	784	77%	83%	3 957	-	-	11 395
Vote 9 - Electricity	1 000	-	1 000	1 090	90	(90)	109%	109%	-	-	-	-
Vote 10 - Water	4 000	-	4 000	3 815	-	185	95%	95%	4 641	-	-	15
Vote 11 - Waste Water Management	6 630	-	6 630	6 023	-	607	91%	91%	-	-	-	404
Vote 12 - Solid Waste	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 13 - Other	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 14 - Environmental Health	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Capital single-year expenditure	25 151	250	25 401	19 864	90	5 537	78%	79%	8 597	-	-	12 277
Total Capital Expenditure - Vote	75 577	23 750	99 327	96 819	3 120	2 508	97%	128%	8 597	-	-	39 482

HANTAM MUNICIPALITY - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	2017/18								2016/17			
	Original Budget	Total Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Capital Expenditure - Standard												
<i>Governance and administration</i>	3 315	–	3 315	226	–	3 089	0%	0%	176	–	–	670
Executive and council	3 040	–	3 040	–	–	3 040	0%	0%	–	–	–	–
Finance and administration	275	–	275	226	–	49	82%	82%	166	–	–	670
Internal audit	–	–	–	–	–	–	#DIV/0!	#DIV/0!	10	–	–	–
<i>Community and public safety</i>	6 987	–	6 987	6 025	–	962	0%	0%	11	–	–	–
Community and social services	120	–	120	51	–	69	42%	42%	11	–	–	–
Sport and recreation	6 867	–	6 867	5 974	–	893	87%	87%	–	–	–	–
Public safety	–	–	–	–	–	–	#DIV/0!	#DIV/0!	–	–	–	–
Housing	–	–	–	–	–	–	#DIV/0!	#DIV/0!	–	–	–	–
Health	–	–	–	–	–	–	#DIV/0!	#DIV/0!	–	–	–	–
<i>Economic and environmental services</i>	3 219	250	3 469	2 686	–	784	0%	0%	3 957	–	–	18 208
Planning and development	–	–	–	–	–	–	#DIV/0!	#DIV/0!	–	–	–	–
Road transport	3 219	250	3 469	2 686	–	784	77%	83%	3 957	–	–	18 208
Environmental protection	–	–	–	–	–	–	#DIV/0!	#DIV/0!	–	–	–	–
<i>Trading services</i>	62 056	23 500	85 556	87 883	2 935	(2 328)	0%	0%	12 065	–	–	20 604
Electricity	1 000	–	1 000	1 090	90	(90)	109%	109%	–	–	–	–
Water	54 426	23 500	77 926	80 770	2 844	(2 844)	104%	148%	11 661	–	–	20 185
Waste water management	6 630	–	6 630	6 023	–	607	91%	91%	–	–	–	419
Waste management	–	–	–	–	–	–	#DIV/0!	#DIV/0!	404	–	–	–
<i>Other</i>	–	–	–	–	–	–	#DIV/0!	#DIV/0!	–	–	–	–
Total Capital Expenditure - Standard	75 577	23 750	99 327	96 819	2 935	2 508	97%	128%	16 209	–	–	39 482
Funded by:												
National Government	72 142	23 500	95 642	96 718	–	(1 076)	101%	134%	–	–	–	38 812
Provincial Government	–	–	–	–	–	–	#DIV/0!	#DIV/0!	–	–	–	–
District Municipality	–	–	–	–	–	–	#DIV/0!	#DIV/0!	–	–	–	–
Other transfers and grants	–	–	–	–	–	–	#DIV/0!	#DIV/0!	–	–	–	–
Transfers recognised - capital	72 142	23 500	95 642	96 718	–	(1 076)	101%	134%	–	–	–	38 812
Public contributions & donations	–	–	–	–	–	–	#DIV/0!	#DIV/0!	–	–	–	–
Borrowing	3 040	–	3 040	–	–	3 040	0%	0%	–	–	–	484
Internally generated funds	395	250	645	511	–	134	79%	129%	–	–	–	186
Total Capital Funding	75 577	23 750	99 327	97 228	–	2 098	98%	129%	–	–	–	39 482

HANTAM MUNICIPALITY - Reconciliation of Table A7 Budgeted Cash Flows

Description R thousand	2017/18							2016/17
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	1	2	3	4	5	6	7	8
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates, penalties and collection charges	7 686	272	7 958	7 804	154	98.1%	101.5%	6 078
Service charges	46 715	354	47 068	34 566	12 502	73.4%	74.0%	33 685
Other revenue	3 501	(490)	3 010	5 384	(2 373)	178.8%	153.8%	1 666
Government - operating	25 184	–	25 184	25 158	26	99.9%	99.9%	24 202
Government - capital	72 142	15 000	87 142	95 642	(8 500)	109.8%	132.6%	32 731
Interest	–	–	–	1 072	(1 072)	#DIV/0!	#DIV/0!	713
Dividends	–	–	–	–	–	#DIV/0!	#DIV/0!	–
Payments								
Suppliers and employees	(78 992)	(606)	(79 597)	(68 452)	(11 145)	86.0%	86.7%	(59 655)
Finance charges	–	–	–	(82)	82	#DIV/0!	#DIV/0!	(27)
Transfers and Grants	–	–	–	–	–	#DIV/0!	#DIV/0!	–
NET CASH FROM/(USED) OPERATING ACTIVITIES	76 236	14 530	90 766	101 092	(10 326)	111.4%	132.6%	39 394
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	–	–	–	–	–	#DIV/0!	#DIV/0!	–
Decrease (increase) in non-current debtors	–	–	–	94	(94)	#DIV/0!	#DIV/0!	(158)
Decrease (increase) other non-current receivables	–	–	–	–	–	#DIV/0!	#DIV/0!	–
Decrease (increase) in non-current investments	–	–	–	–	–	#DIV/0!	#DIV/0!	–
Payments								
Capital assets	(72 537)	–	(72 537)	(94 495)	21 958	130.3%	130.3%	(38 942)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(72 537)	–	(72 537)	(94 401)	21 864	130.1%	130.1%	(39 100)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	–	–	–	–	–	#DIV/0!	#DIV/0!	–
Borrowing long term/refinancing	–	–	–	–	–	#DIV/0!	#DIV/0!	–
Increase (decrease) in consumer deposits	42	–	42	79	(37)	187.1%	187.1%	66
Payments								
Repayment of borrowing	(556)	–	(556)	(155)	(401)	27.8%	27.8%	(113)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(514)	–	(514)	(76)	(438)	14.8%	14.8%	(46)
NET INCREASE/ (DECREASE) IN CASH HELD	3 185	14 530	17 715	6 615	11 100	37.3%	207.7%	247
Cash/cash equivalents at the year begin:	815	–	815	786	29	96.4%	96.4%	539
Cash/cash equivalents at the year end:	4 000	14 530	18 530	7 401	11 129	39.9%	185.0%	786